

Youth Entrepreneurs, Inc.

Independent Auditor's Report and Financial Statements

May 31, 2019 and 2018

Youth Entrepreneurs, Inc.
May 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Youth Entrepreneurs, Inc.
Wichita, Kansas

We have audited the accompanying financial statements of Youth Entrepreneurs, Inc., which comprise the statements of financial position as of May 31, 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Entrepreneurs, Inc. as of May 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2018 financial statements were audited by other auditors, and their report thereon, dated October 24, 2018, expressed an unmodified opinion.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2019, Youth Entrepreneurs, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Wichita, Kansas
September 27, 2019

Youth Entrepreneurs, Inc.
Statements of Financial Position
May 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 10,738,949	\$ 8,141,723
Accounts receivable	10,382	22,018
Contributions receivable	141,250	1,253,965
Prepaid expenses	365,858	411,520
Property and equipment	710,510	860,977
Total assets	\$ 11,966,949	\$ 10,690,203
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 266,857	\$ 179,481
Grants payable	-	1,600
Deferred liabilities	32,340	54,830
Total liabilities	299,197	235,911
 Net Assets		
Without donor restrictions	9,919,878	8,062,167
With donor restrictions	1,747,874	2,392,125
Total net assets	11,667,752	10,454,292
Total liabilities and net assets	\$ 11,966,949	\$ 10,690,203

Youth Entrepreneurs, Inc.
Statements of Activities
Years Ended May 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 7,741,418	\$ 1,802,163	\$ 9,543,581
Contributions - special events	1,474,537	-	1,474,537
Other special event revenue	133,385	-	133,385
Program income	3,270	-	3,270
Interest and dividends	42,720	-	42,720
Other income	23,602	-	23,602
Net assets released from restrictions	2,446,414	(2,446,414)	-
	<u>11,865,346</u>	<u>(644,251)</u>	<u>11,221,095</u>
Total revenues, gains and other support			
Expenses			
Program services	8,338,808	-	8,338,808
Support services			
Development	958,007	-	958,007
Administrative	710,820	-	710,820
	<u>1,668,827</u>	<u>-</u>	<u>1,668,827</u>
Total support services			
Total expenses	<u>10,007,635</u>	<u>-</u>	<u>10,007,635</u>
Change in Net Assets	1,857,711	(644,251)	1,213,460
Net Assets, Beginning of Year	<u>8,062,167</u>	<u>2,392,125</u>	<u>10,454,292</u>
Net Assets, End of Year	<u>\$ 9,919,878</u>	<u>\$ 1,747,874</u>	<u>\$ 11,667,752</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 8,685,661	\$ 3,324,248	\$ 12,009,909
460,740	-	460,740
36,540	-	36,540
60,515	-	60,515
541	-	541
100,569	-	100,569
<u>1,708,722</u>	<u>(1,708,722)</u>	<u>-</u>
<u>11,053,288</u>	<u>1,615,526</u>	<u>12,668,814</u>
<u>6,357,663</u>	<u>-</u>	<u>6,357,663</u>
1,457,980	-	1,457,980
<u>712,443</u>	<u>-</u>	<u>712,443</u>
2,170,423	-	2,170,423
<u>8,528,086</u>	<u>-</u>	<u>8,528,086</u>
2,525,202	1,615,526	4,140,728
<u>5,536,965</u>	<u>776,599</u>	<u>6,313,564</u>
<u>\$ 8,062,167</u>	<u>\$ 2,392,125</u>	<u>\$ 10,454,292</u>

Youth Entrepreneurs, Inc.
Statements of Functional Expenses
May 31, 2019 and 2018

	2019			
	Program Services	Support Services		Total
		Development	Administrative	
Salaries, taxes and employee benefits	\$ 4,397,726	\$ 252,995	\$ 576,227	\$ 5,226,948
Grants	78,305	-	-	78,305
Special events	-	362,628	-	362,628
Professional services	1,333,123	126,910	34,767	1,494,800
Advertising	58,538	54,726	-	113,264
Supplies and office expenses	477,649	17,268	19,764	514,681
Information technology	184,268	8,994	25,777	219,039
Occupancy	309,114	13,498	25,801	348,413
Travel and entertainment	986,300	62,053	16,723	1,065,076
Conferences & seminars	121,757	11,716	4,731	138,204
Insurance	33,753	1,920	3,808	39,481
Miscellaneous course costs	22,220	113	-	22,333
Bad debt	2,010	6,746	-	8,756
Memberships & dues	14,565	1,542	1,616	17,723
Other	82	1,878	12	1,972
Expenses before depreciation	8,019,410	922,987	709,226	9,651,623
Depreciation of equipment	319,398	35,020	1,594	356,012
Total expenses	<u>\$ 8,338,808</u>	<u>\$ 958,007</u>	<u>\$ 710,820</u>	<u>\$ 10,007,635</u>

2018

Program Services	Support Services		Total
	Development	Administrative	
\$ 3,484,703	\$ 796,823	\$ 584,309	\$ 4,865,835
43,640	-	-	43,640
-	53,535	-	53,535
825,229	179,367	56,579	1,061,175
50,326	32,550	89	82,965
378,288	72,973	19,860	471,121
121,969	39,012	13,289	174,270
233,927	102,476	20,573	356,976
680,790	102,429	8,916	792,135
56,124	15,612	3,443	75,179
26,401	9,467	2,752	38,620
27,950	898	5	28,853
-	10,244	-	10,244
11,889	6,508	445	18,842
83	647	(240)	490
<hr/>			
5,941,319	1,422,541	710,020	8,073,880
<hr/>			
416,344	35,439	2,423	454,206
<hr/>			
<u>\$ 6,357,663</u>	<u>\$ 1,457,980</u>	<u>\$ 712,443</u>	<u>\$ 8,528,086</u>

Youth Entrepreneurs, Inc.
Statements of Cash Flows
May 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 1,213,460	\$ 4,140,728
Items not requiring (providing) operating cash flows		
Depreciation	356,012	454,206
Noncash contributions of investment securities	-	(15,040)
Gain on sale of investment securities	-	(150)
Loss on disposal of equipment	9,383	-
Changes in		
Accounts receivable	11,636	(13,663)
Contributions receivable	1,112,715	(33,904)
Prepaid and other assets	45,662	(308,531)
Accounts payable and accrued liabilities	87,376	(66,898)
Scholarships and grants payable	(1,600)	(349,165)
Deferred liabilities	(22,490)	41,080
	<u>2,812,154</u>	<u>3,848,663</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(214,928)	(660,851)
Proceeds from sale of investment securities	-	15,190
	<u>(214,928)</u>	<u>(645,661)</u>
Net cash used in investing activities		
Increase in Cash and Cash Equivalents	2,597,226	3,203,002
Cash and Cash Equivalents, Beginning of Year	<u>8,141,723</u>	<u>4,938,721</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,738,949</u>	<u>\$ 8,141,723</u>

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Youth Entrepreneurs, Inc. (Organization) is a not-for-profit organization whose mission and principal activities are to engender self-reliance among youth by introducing, through entrepreneurship, the values and skills necessary for them to lead successful, fulfilling lives as contributing members of society. The Organization's revenues and other support are derived principally from contributions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consisted primarily of savings accounts held by financial institutions.

At May 31, 2019, the Organization's cash accounts exceeded federally insured limits by approximately \$10,497,000.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Accounts receivable are unsecured. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables considered delinquent by management are written off based on individual credit evaluations and specific circumstances of the customer. No allowance was recorded as of May 31, 2019 and 2018.

Contributions Receivable

Contributions receivable are stated at their outstanding principal amount, net of unamortized discount and allowance for uncollectible accounts. Contributions receivable are unsecured. The Organization provides an allowance for uncollectible contributions, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the contributor. No allowance was recorded as of May 31, 2019 and 2018.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
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Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Donated assets are capitalized at fair value when received. Depreciation is charged to expense under the straight-line or double declining method over the estimated useful life of each asset. All assets purchased at \$1,000 or above that have a useful life greater than one year, are capitalized. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Asset useful lives are as follows:

Furniture, fixtures & equipment	3-15 years
Vehicles	5 years
Curriculum	3 years
Website development	1-3 years
Video Production	3 years
YE student point systems & other	3 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended May 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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 statement of activities as net assets released

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of contributed services and non-service related contributions such as accounting and tax services, program services, other administrative services, rent, occupancy, and other office supplies from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended May 31, 2019 and 2018, \$1,264,228 and \$982,773 was received in in-kind contributions, respectively, and recorded within contributions in the statement of activities.

Income Taxes

The Organization is exempt from income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on unrelated business taxable income, if any.

Subsequent Events

Subsequent events have been evaluated through September 27, 2019, which is the date the financial statements were available to be issued.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

Note 2: Change in Accounting Principal

In 2019, the Organization, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.

This change had no impact on previously reported total change in net assets.

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 91,250	\$ 50,000	\$ 141,250
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 841,465	\$ 412,500	\$ 1,253,965

No discount or allowance for uncollectible contributions related to contributions receivable was necessary as of May 31, 2019 and 2018.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

Note 4: Property and Equipment

Property and equipment at May 31, 2019, consists of:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 135,754	\$ 135,025
Vehicles	134,363	151,131
Curriculum	238,818	238,818
Website development	588,724	545,865
Video production	370,241	370,240
YE student point systems & other	152,821	436,092
Construction in progress	142,949	-
	<u>1,763,670</u>	<u>1,877,171</u>
Less accumulated depreciation	<u>1,053,160</u>	<u>1,016,194</u>
	<u><u>\$ 710,510</u></u>	<u><u>\$ 860,977</u></u>

Note 5: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at May 31 are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose		
Specific school locations	\$ 1,733,214	\$ 2,368,227
Other programs	14,660	23,898
	<u>1,747,874</u>	<u>2,392,125</u>
	<u><u>\$ 1,747,874</u></u>	<u><u>\$ 2,392,125</u></u>

Youth Entrepreneurs, Inc.
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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction		
Specific school locations	\$ 2,414,676	\$ 1,168,417
Other programs	31,738	539,805
Scholarships	-	500
	<u>\$ 2,446,414</u>	<u>\$ 1,708,722</u>

Note 6: Special Events

The Organization held various fundraisers during the year. The following schedule summarizes special event activity for the years ended May 31:

	<u>2019</u>	<u>2018</u>
Contributions	\$ 1,368,577	\$ 433,525
Other revenue	133,385	16,520
	<u>1,501,962</u>	<u>450,045</u>
Less direct expense	<u>362,628</u>	<u>53,535</u>
	<u>\$ 1,139,334</u>	<u>\$ 396,510</u>

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of May 31, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 10,738,949	\$ 8,141,723
Accounts receivable	10,382	22,018
Contributions receivable	<u>141,250</u>	<u>1,253,965</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,890,581</u>	<u>\$ 9,417,706</u>

Youth Entrepreneurs, Inc.
Notes to Financial Statements
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The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended May 31, 2019 and 2018, restricted contributions of \$1,747,874 and \$2,392,125, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The Organization has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 90 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended May 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

Note 8: Operating Leases

Office Space Leases

Noncancellable operating leases for office space expire in various years through 2025. These leases require the Organization to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at May 31, 2019, were:

2020	\$ 82,111
2021	83,959
2022	85,807
2023	70,639
2024	20,582
Thereafter	<u>7,000</u>
	<u>\$ 350,098</u>

Rent expense for the office leases totaled \$132,265 and \$162,192 for the years ended May 31, 2019 and 2018.

Youth Entrepreneurs, Inc.
Notes to Financial Statements
May 31, 2019 and 2018

Equipment Leases

The Organization leases copiers for its various locations under operating leases. The leases will expire from December 2019 to August 2023.

Future minimum lease payments at May 31, 2019, were:

2020	\$	20,103
2021		15,172
2022		11,237
2023		3,029
2024		464
		<hr/>
	\$	<u>50,005</u>

Rent expense for the copier leases totaled \$23,161 and \$24,524 for the years ended May 31, 2019 and 2018.

Note 9: Retirement Plan

The Organization has a defined contribution retirement plan under Internal Revenue Code Section 401(k). All employees are eligible on their first day of work if they are at least 18 years old. The Organization matches employee's contributions up to 4% of the employee's annual compensation. The Organizations' contributions were \$162,424 and \$137,512 for 2019 and 2018, respectively.

Note 10: Significant Estimates and Concentrations

Contributions

Approximately 30% of contributions were received from one donor group during the years ended May 31, 2019 and 2018.

Note 11: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major

Youth Entrepreneurs, Inc.
Notes to Financial Statements
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provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption and will be effective for the Organization's year ending May 31, 2020. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Organization's year ending May 31, 2022. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.