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FRESH YOUTH INITIATIVES, INC.

Audited Financial Statements

May 31, 2010

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Fresh Youth Initiatives, Inc.

We have audited the accompanying statement of financial position of Fresh Youth Initiatives, Inc. ("FYI") as of May 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of FYI's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from FYI's May 31, 2009 financial statements and, in our report dated November 24, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fresh Youth Initiatives, Inc. as of May 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Schall & Ashenfarb
Certified Public Accountants, LLC

December 22, 2010

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2010
(With comparative totals for May 31, 2009)

	<u>5/31/10</u>	<u>5/31/09</u>
Assets		
Cash and cash equivalents (Notes 2e and 2f)	\$152,207	\$421,257
Investments (Notes 2g and 3)	8,821	7,261
Contributions receivable (Note 2d)	122,764	26,600
Government grants receivables (Note 2d)	22,461	21,056
Prepaid expenses	6,066	13,970
Fixed assets, net of accumulated depreciation (Notes 2h and 4)	<u>3,470,754</u>	<u>3,572,498</u>
Total assets	<u><u>\$3,783,073</u></u>	<u><u>\$4,062,642</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	<u>\$32,333</u>	<u>\$35,088</u>
Total liabilities	<u>32,333</u>	<u>35,088</u>
Net assets (Note 2b):		
Unrestricted	3,650,740	4,012,554
Temporarily restricted (Note 5)	0	15,000
Permanently restricted (Note 6)	<u>100,000</u>	<u>0</u>
Total net assets	<u>3,750,740</u>	<u>4,027,554</u>
Total liabilities and net assets	<u><u>\$3,783,073</u></u>	<u><u>\$4,062,642</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2010
(With comparative totals for the year ended May 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 5/31/10	Total 5/31/09
Public support and revenue:					
Government grants	\$87,481			\$87,481	\$92,527
Foundation grants	330,003		\$100,000	430,003	290,643
Individual contributions	29,321			29,321	147,798
Corporate grants	12,573			12,573	65,760
Other grants	11,493			11,493	27,340
Special events income (net of direct benefit to donors of \$7,636)	6,799			6,799	6,705
Interest income	216			216	7,128
Unrealized gain/(loss) on investments	1,560			1,560	(1,491)
In-kind contributions (Note 7)	34,047			34,047	42,681
Other revenue	12,228			12,228	4,286
Net assets released from restrictions	15,000	(\$15,000)		0	0
Total public support and revenue	540,721	(15,000)	100,000	625,721	683,377
Expenses:					
Program services	675,262			675,262	733,363
Supporting services:					
Management and general	153,589			153,589	181,518
Fundraising	73,684			73,684	61,323
Total supporting services	227,273	0	0	227,273	242,841
Total expenses	902,535	0	0	902,535	976,204
Change in net assets	(361,814)	(15,000)	100,000	(276,814)	(292,827)
Net assets - beginning	4,012,554	15,000		4,027,554	4,320,381
Net assets - ending	\$3,650,740	\$0	\$100,000	\$3,750,740	\$4,027,554

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2010

(With comparative totals for the year ended May 31, 2009)

		Supporting Services				
	Program	Management			Total	Total
	Services	and	Fundraising	Total	Expenses	Expenses
		General			5/31/10	5/31/09
Personnel services	\$288,012	\$78,951	\$16,849	\$95,800	\$383,812	\$424,925
Payroll taxes and benefits	56,860	15,587	3,326	18,913	75,773	93,464
Consulting and professional	42,880	11,753	37,178	48,931	91,811	85,298
Occupancy	19,576	5,366	1,145	6,511	26,087	31,021
Donated food for pantry (Note 7)	34,047			0	34,047	42,681
Supplies	33,731	611	130	741	34,472	39,385
Communications	5,875	1,610	344	1,954	7,829	9,898
Travel	2,222	632	135	767	2,989	7,336
Program expense	33,894	438	93	531	34,425	38,471
Equipment rental and maintenance	41,212	10,355	2,210	12,565	53,777	40,904
Stipends	13,668			0	13,668	18,622
Printing and publications	579	157	1,939	2,096	2,675	4,477
Postage and shipping	609	142	205	347	956	1,507
Insurance	21,907	6,005	1,282	7,287	29,194	21,237
Miscellaneous	3,841	1,054	4,381	5,435	9,276	7,361
Total expenses before depreciation	598,913	132,661	69,217	201,878	800,791	866,587
Depreciation	76,349	20,928	4,467	25,395	101,744	109,617
Total expenses	<u>\$675,262</u>	<u>\$153,589</u>	<u>\$73,684</u>	<u>\$227,273</u>	<u>\$902,535</u>	<u>\$976,204</u>

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2010
(With comparative totals for the year ended May 31, 2009)

	<u>5/31/10</u>	<u>5/31/09</u>
Cash flows from operating activities:		
Change in net assets	(\$276,814)	(\$292,827)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	101,744	109,617
Unrealized (gain)/loss on investments	(1,560)	1,491
(Increase)/decrease in assets:		
Contributions receivable	(96,164)	54,260
Government grants receivables	(1,405)	(12,306)
Prepaid expenses	7,904	3,413
(Decrease)/increase in liabilities:		
Accounts payable and accrued expenses	(2,755)	11,354
Total adjustments	<u>7,764</u>	<u>167,829</u>
Net cash used for operating activities/ net decrease in cash and cash equivalents	(269,050)	(124,998)
Cash and cash equivalents - beginning	<u>421,257</u>	<u>546,255</u>
Cash and cash equivalents - ending	<u><u>\$152,207</u></u>	<u><u>\$421,257</u></u>

Supplemental disclosures:

Interest paid - \$0

Taxes paid - \$0

The attached notes and auditors' report are an integral part of these financial statements.

FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2010

Note 1 - Organization

Fresh Youth Initiatives, Inc. ("FYI") is a not-for-profit organization incorporated in the State of New York. Founded in 1993, FYI is based in the Washington Heights Inwood section of Upper Manhattan, New York City.

FYI's community-based youth development program provides local youth with a menu of community service and other positive activities. The results of these efforts build leadership skills, character, and positive habits in hundreds of local youth, while at the same time strengthening the community fabric of Washington Heights Inwood in tangible ways. FYI is known in particular for operating the only youth-run food pantry in New York City, the Helping Hands Food Pantry, its sleeping bags project where participants hand-sew sleeping bags for distribution to the homeless, and for the high degree of youth involvement and leadership in service projects.

FYI also operates a 1-to-1 Mentoring Program, a Career Awareness Program, and a special set of summer activities which includes the "Summer of Service" camp for younger participants.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

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

b. Basis of Presentation

As a not-for-profit organization, FYI reports information regarding its financial position and activities according to specific classes of net assets, as follows:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. (See Note 5 for details.)
- *Permanently restricted* – those assets, which have been restricted by the donor and must remain intact, in perpetuity. (See Note 6 for details)

c. Income Recognition

Contributions are recorded as revenue upon receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the temporarily or permanently restricted class of net assets, depending on the nature of the restriction. All other contributions are recorded as unrestricted. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

Each government grant is reviewed to determine if it has traits that more closely resemble contributions or exchange transactions. Government grants that are recorded as exchange transactions are recognized as revenue when earned.

d. Contributions and Grants Receivable

Receivables expected to be collected within one year are recorded at their net realizable value. Conditional contributions are recognized as income when the conditions have been substantially met.

Cash received in excess of government grant revenue earned are treated as refundable advances, whereby cash received that is less than revenue earned are treated as grants receivables.

Included in the contributions receivable balance at May 31, 2010 is \$100,000 that has been restricted to establish an endowment. All contributions and grants receivable outstanding at May 31, 2010 are due within 12 months. Management deems these receivables to be fully collectable and has not established any reserves.

e. Cash and Cash Equivalents

FYI considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

f. Concentration of Credit Risk

Financial instruments which potentially subject FYI to concentration of credit risk consist of cash, money market accounts and investment securities.

FYI places its temporary cash and money market accounts with financial institutions that they feel are creditworthy. At times, deposits may exceed federally insured limits. FYI has not experienced any losses from these accounts due to bank failures.

g. Investments

Investments are recorded at fair market value. Unrealized gains and losses are included in income on the statement of activities. FYI follows FASB Accounting Standards Codification (ASC) 820, (formerly SFAS No. 157) to determine fair market value. Under ASC 820, fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

h. Property, Plant and Equipment

Fixed assets purchased that exceed predetermined amounts where FYI retains title and that benefit future periods are capitalized at cost, or if donated, at the estimated fair market value at the time of donation.

i. Expense Allocation/Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, results could differ from those estimates.

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of FYI.

j. Tax Exempt Status

FYI is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FYI's financial statements for the period ended May 31, 2009, from which the summarized information was derived.

l. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 22, 2010, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments – Fair Value Measurement

ASC 820 establishes a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments at May 31, 2010:

Equity (corporate stocks)	\$7,613
Mutual funds	<u>1,208</u>
Total	<u>\$8,821</u>

Note 4 - Fixed Assets

At May 31, 2010, fixed assets consisted of the following:

	<u>Life</u>	<u>Amount</u>
Building and building improvements	39 years	\$3,494,558
Equipment	3 to 7 years	99,840
Land		313,637
Less: accumulated depreciation		<u>(437,281)</u>
Net: property and equipment		<u>\$3,470,754</u>

Note 5 - Temporarily Restricted Net Assets

Net assets were released from restriction due to the passage of time.

Note 6 - Permanently Restricted Net Assets/Endowment Funds

FYI received a pledge from a donor to establish an endowment. Terms of this endowment dictate that the principal must remain in-tact and the income to be used to fund current operations.

Note 7 - In-Kind Contributions

FYI receives food for use in their pantry, which is recorded as a contribution and program expense at fair market value.

Donated services are required to be recorded if they create or enhance non-financial assets, or require specialized skills, are performed by those that possess those skills and would have been purchased if not donated. Board members and other individuals volunteer their time and perform a variety of tasks that assist FYI. These services do not meet the criteria to be recorded and have not been included in the financial statements.