



IRA L. SCHALL, CPA  
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# **FRESH YOUTH INITIATIVES, INC.**

Audited Financial Statements

May 31, 2011

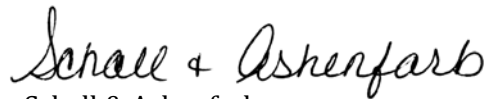
## **REPORT OF INDEPENDENT AUDITORS**

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, 2011, 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, 2010 financial statements and, in our report dated December 22, 2010, 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, 2011, 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 6, 2011

**FRESH YOUTH INITIATIVES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF MAY 31, 2011**  
(With comparative totals for May 31, 2010)

	<u>5/31/11</u>	<u>5/31/10</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2e and 2f)	\$61,705	\$152,207
Investments (Notes 2g and 3)	182,521	8,821
Contributions receivable (Note 2d)	14,406	122,764
Government grants receivables (Note 2d)	21,645	22,461
Prepaid expenses	6,285	6,066
Fixed assets, net of accumulated depreciation (Notes 2h and 4)	<u>3,392,319</u>	<u>3,470,753</u>
 Total assets	 <u><u>\$3,678,881</u></u>	 <u><u>\$3,783,072</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$25,233</u>	<u>\$32,332</u>
Total liabilities	<u>25,233</u>	<u>32,332</u>
Net assets (Note 2b):		
Unrestricted	3,465,526	3,650,740
Temporarily restricted (Note 5)	36,372	0
Permanently restricted (Note 6)	<u>151,750</u>	<u>100,000</u>
Total net assets	<u>3,653,648</u>	<u>3,750,740</u>
 Total liabilities and net assets	 <u><u>\$3,678,881</u></u>	 <u><u>\$3,783,072</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, 2011**  
(With comparative totals for the year ended May 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 5/31/11	Total 5/31/10
Public support and revenue:					
Government grants	\$68,136			\$68,136	\$87,481
Foundation grants	383,507	\$24,500		408,007	430,003
Individual contributions	76,665		\$51,750	128,415	29,321
Corporate grants	16,120			16,120	12,573
Other grants	4,237			4,237	11,493
Special events income	4,787			4,787	6,799
Interest income	7,304			7,304	216
Unrealized gain on investments	2,940	11,872		14,812	1,560
In-kind contributions (Note 7)	23,911			23,911	34,047
Other revenue	8,074			8,074	12,228
<b>Total public support and revenue</b>	<b>595,681</b>	<b>36,372</b>	<b>51,750</b>	<b>683,803</b>	<b>625,721</b>
Expenses:					
Program services	633,908			633,908	675,262
Supporting services:					
Management and general	87,538			87,538	153,589
Fundraising	59,449			59,449	73,684
<b>Total supporting services</b>	<b>146,987</b>	<b>0</b>	<b>0</b>	<b>146,987</b>	<b>227,273</b>
<b>Total expenses</b>	<b>780,895</b>	<b>0</b>	<b>0</b>	<b>780,895</b>	<b>902,535</b>
Change in net assets	(185,214)	36,372	51,750	(97,092)	(276,814)
Net assets - beginning	3,650,740	0	100,000	3,750,740	4,027,554
Net assets - ending	<b>\$3,465,526</b>	<b>\$36,372</b>	<b>\$151,750</b>	<b>\$3,653,648</b>	<b>\$3,750,740</b>

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**FRESH YOUTH INITIATIVES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MAY 31, 2011**  
(With comparative totals for the year ended May 31, 2010)

	Supporting Services			Total Expenses 5/31/11	Total Expenses 5/31/10	
	Program Services	Management and General	Fundraising			Total
Personnel services	\$259,174	\$33,508	\$9,738	\$43,246	\$302,420	\$383,812
Payroll taxes and benefits	59,947	7,750	2,252	10,002	69,949	75,773
Consulting and professional	39,928	5,123	39,479	44,602	84,530	91,811
Occupancy	27,817	2,918	848	3,766	31,583	26,087
Donated food for pantry (Note 7)	23,911			0	23,911	34,047
Supplies	8,012	193	56	249	8,261	34,472
Communications	3,681	459	133	592	4,273	7,829
Travel	5,244	19	5	24	5,268	2,989
Program expense	43,919		21	21	43,940	34,425
Equipment rental and maintenance	30,888	3,993	1,161	5,154	36,042	53,777
Stipends	12,274			0	12,274	13,668
Printing and publications	857	111	1,283	1,394	2,251	2,675
Postage and shipping	1,033	134	58	192	1,225	956
Insurance	12,267	1,586	461	2,047	14,314	29,194
Miscellaneous	16,635	1,754	636	2,390	19,025	9,276
Bad debt		18,571		18,571	18,571	0
<b>Total expenses before depreciation</b>	<b>545,587</b>	<b>76,119</b>	<b>56,131</b>	<b>132,250</b>	<b>677,837</b>	<b>800,791</b>
Depreciation	88,321	11,419	3,318	14,737	103,058	101,744
<b>Total expenses</b>	<b>\$633,908</b>	<b>\$87,538</b>	<b>\$59,449</b>	<b>\$146,987</b>	<b>\$780,895</b>	<b>\$902,535</b>

*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, 2011**  
(With comparative totals for the year ended May 31, 2010)

	<u>5/31/11</u>	<u>5/31/10</u>
Cash flows from operating activities:		
Change in net assets	(\$97,092)	(\$276,814)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	103,058	101,744
Realized gain	(74)	0
Unrealized gain	(14,738)	(1,560)
(Increase)/decrease in assets:		
Contributions receivable	108,358	(96,164)
Government grants receivables	816	(1,405)
Prepaid expenses	(219)	7,904
(Decrease)/increase in liabilities:		
Accounts payable and accrued expenses	(7,099)	(2,755)
Total adjustments	<u>190,102</u>	<u>7,764</u>
Net cash provided by/(used for) operating activities	<u>93,010</u>	<u>(269,050)</u>
 Cash flows from investing activities:		
Purchase of investments	(210,712)	0
Sale of investments	51,824	0
Purchase of equipment	(24,624)	0
Net cash used for investing activities	<u>(183,512)</u>	<u>0</u>
 Net decrease in cash and cash equivalents	(90,502)	(269,050)
 Cash and cash equivalents - beginning	<u>152,207</u>	<u>421,257</u>
 Cash and cash equivalents - ending	<u>\$61,705</u>	<u>\$152,207</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, 2011**

**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 temporarily restricted contributions have been satisfied in the same 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.

All contributions and grants receivable outstanding at May 31, 2011 are due within 12 months. Based on a specific review of outstanding receivables and factoring historical experience, management deems all receivables to be fully collectable and has not established any reserves. At the time collection efforts are fully exhausted, bad debt expense will be recorded.

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, with the exception of cash held within the endowment account.

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, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in income on the statement of activities.

h. Property, Plant and Equipment

Purchases of property and equipment 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. Actual 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, 2010, from which the summarized information was derived.

l. Accounting for Uncertainty of Income Taxes

FYI has adopted the provisions of FASB ASC 740, *Income Taxes*, which applies to positions taken or expected to be taken in a tax return. Organizations are required to recognize the effects of tax positions if they are more likely than not of being sustained. FYI does not believe its financial statements include any uncertain tax positions.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 6, 2011 the date the financial statements were available to be issued. All events that 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 have been made. (See Note 8.)

### **Note 3 - Investments**

A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the securities based on market data obtained from sources independent of FYI. Unobservable inputs reflect FYI's assumptions about the inputs that market participants would use in pricing the security developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that FYI has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At May 31, 2011, investments consisted of the following:

	<u>Total</u>		
Endowment	\$170,760		
Other	<u>11,761</u>		
	<u>\$182,521</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Equity (corporate stocks)	\$98,231	\$98,231	\$0
Mutual funds	1,464	1,464	0
Exchange traded funds	51,611	51,611	0
Mortgage backed securities	24,786	0	24,786
Cash and money funds	<u>6,429</u>	<u>6,429</u>	<u>0</u>
	<u>\$182,521</u>	<u>\$157,735</u>	<u>\$24,786</u>

**Note 4 - Fixed Assets**

At May 31, 2011, fixed assets consisted of the following:

	<u>Life</u>	<u>Amount</u>
Building and building improvements	39 years	\$3,494,557
Equipment	3 to 7 years	124,464
Land		313,637
Less: accumulated depreciation		<u>(540,339)</u>
Net: property and equipment		<u>\$3,392,319</u>

**Note 5 - Temporarily Restricted Net Assets**

At May 31, 2011, temporarily restricted net assets consisted of the following programs:

	<u>Net Assets 6/1/10</u>	<u>Contributions</u>	<u>Released from Restrictions</u>	<u>Net Assets 5/31/11</u>
Program restrictions:				
Facility renovation	\$0	\$12,000	\$0	\$12,000
Endowment fund	0	11,872	0	11,872
Time restrictions	<u>0</u>	<u>12,500</u>	<u>0</u>	<u>12,500</u>
Total	<u>\$0</u>	<u>\$36,372</u>	<u>\$0</u>	<u>\$36,372</u>

**Note 6 - Permanently Restricted Net Assets/Endowment Funds**

The endowment includes donations to be held in perpetuity in an investment account.

*Interpretation of Relevant Law*

On September 17, 2010, New York State adopted New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Directors of FYI has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, FYI will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, FYI

has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, FYI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the organization's governing board.

#### *Spending Policies*

In accordance with NYPMIFA, FYI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of FYI and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of FYI;
- (7) The investment policies of FYI;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on FYI.

FYI does not have a spending policy and they are currently accumulating market value gains for future appropriation, if deemed prudent and necessary and uses interest and dividends to support operations consistent with the endowment agreement.

Changes in endowment net assets for the year ended May 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$0	\$0	\$100,000	\$100,000
Endowment funds contributed	0	0	51,750	51,750
Interest and dividend income	7,138	0	0	7,138
Net gain on investments	<u>0</u>	<u>11,872</u>	<u>0</u>	<u>11,872</u>
Endowment net assets, end of year	<u>\$7,138</u>	<u>\$11,872</u>	<u>\$151,750</u>	<u>\$170,760</u>

#### *Endowment Investment Policies*

FYI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FYI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires FYI to retain as a fund of perpetual duration. There were no such deficiencies as of May 31, 2011.

**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.

**Note 8 - Subsequent Events**

On May 31, 2011, FYI entered into an agreement to absorb the program and assets of Cornerstone Learning Center Inc., another not-for-profit organization dedicated to helping disadvantaged and underserved youth in New York City, acquire academic and personal life skills. Details of the legal structure have not yet been determined, but management anticipates this transaction to occur during its next fiscal year.