# YOUTH LEARNING CENTER

**FINANCIAL REPORT**
(Audited)

Year Ended December 31, 2012

**Contents**

Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

# INDEPENDENT AUDITOR'S REPORT

July 3, 2013

The Board of Directors
**YOUTH LEARNING CENTER**

## Report on Financial Statements

We have audited the accompanying financial statements of **YOUTH LEARNING CENTER** (the Organization), which are comprised of the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 Organization's

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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 Organization'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 the Organization as of December 31, 2012 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.

**Other Matter**

The financial statements of the Organization as of December 31, 2011, were audited by other auditors whose report dated November 21, 2012, expressed an unmodified opinion on those statements.

**Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hochschild, Bloom + Company LLP

**CERTIFIED PUBLIC ACCOUNTANTS**

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 456,451** | 343,076 |
| Contributions receivable | **20,363** | 17,704 |
| Prepaid expenses | **9,715** | 10,278 |
| Total Current Assets | **486,529** | 371,058 |
| **Fixed Assets, net of accumulated depreciation** | **2,032,221** | 2,139,958 |
| Total Assets | **$ 2,518,750** | 2,511,016 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | **$ 18,035** | 12,505 |
| **Net Assets** | | |
| Unrestricted | **2,500,715** | 2,498,511 |
| Total Liabilities And Net Assets | **$ 2,518,750** | 2,511,016 |

**See notes to financial statements**

| | For The Years Ended December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **SUPPORT AND REVENUE** | | |
| Contributions | **$ 782,360** | 830,815 |
| Grants | **51,288** | - |
| Interest and dividends | **813** | 1,019 |
| Student fees | **81,385** | 17,170 |
| Fundraising events | **79,232** | - |
| Miscellaneous | **5,981** | 5,746 |
| Total Support And Revenue | **1,001,059** | 854,750 |
| **EXPENSES** | | |
| Program services | **603,049** | 626,795 |
| Management and general | **152,323** | 115,468 |
| Fundraising | **243,483** | 166,833 |
| Total Expenses | **998,855** | 909,096 |
| **CHANGES IN NET ASSETS** | **2,204** | (54,346) |
| NET ASSETS, JANUARY 1 | **2,498,511** | 2,552,857 |
| **NET ASSETS, DECEMBER 31** | **$ 2,500,715** | 2,498,511 |

| | For The Years Ended December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | |
| **Cash flows from operating activities:** | | |
| Changes in net assets | **$ 2,204** | (54,346) |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | **107,737** | 121,969 |
| (Increase) decrease in: | | |
| Contributions receivable | **(2,659)** | (17,704) |
| Prepaid expenses | **563** | (1,606) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | **5,530** | (1,914) |
| Total Adjustments | **111,171** | 100,745 |
| Net Cash Provided By Operating Activities | **113,375** | 46,399 |
| **Cash flows used in investing activities:** | | |
| Purchase of fixed assets | **-** | (12,725) |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | **113,375** | 33,674 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | **343,076** | 309,402 |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31** | **$ 456,451** | 343,076 |

**See notes to financial statements**

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied by the **YOUTH LEARNING CENTER** (the Organization) in the preparation of the accompanying financial statements are summarized below:

### 1. Nature of Operations

The Organization is a nonprofit organization that provides education resources to youth of the metropolitan St. Louis area. The mission of the Organization is to provide unique academic and enrichment experiences for youth from underserved communities to inspire lifelong learning, social responsibility, and moral leadership.

### 2. Basis of Accounting

These financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred.

### 3. Basis of Presentation

Under FASB codified statements for *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets -- unrestricted, temporarily restricted, and permanently restricted.

The Organization does not have any temporarily or permanently restricted net assets at December 31, 2012 and 2011.

### 4. 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 certain 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 these estimates.

### 5. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 6. Investments

Investments, if any, are recorded at fair value as determined by quoted prices in an active market. As of December 31, 2012, the Organization had $16,343 held in a brokerage account consisting mainly of cash.

### 7. Contributions Receivable

Contributions receivable represent grants, contracts, and amounts due from consumers and are considered fully collectible by the Organization's management. At December 31, 2012 and 2011, an allowance for doubtful accounts was not deemed necessary.

### 8. Fixed Assets

Fixed assets are carried at cost if purchased or at fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

### 9. Donated Materials and Services

The Organization received donated services from a variety of unpaid volunteers assisting the Organization in providing management and programmatic services. However, no amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under financial accounting standards have not been satisfied. Contributions of materials and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

### 10. Unrestricted and Restricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the satisfaction of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When donor-restricted contributions are received and used for the purpose and/or time-period intended during the same year, they are reported as increases in unrestricted net assets.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 11. Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimates made by management.

### 12. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization follows FASB accounting standards for uncertainty in income taxes. These standards require that uncertain income tax positions be "more likely than not" before the amounts are recognized in the financial statements. Further, the standards require the benefit or expense be recorded in the financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. The Organization has assessed its federal and state tax positions and determined there were no uncertainties or possible related effects that need to be recorded as of and for the years ended December 31, 2012 and 2011.

Open Years -- The federal and state income tax returns of the Organization are subject to examination by the respective taxing authorities generally for three years after they were filed.

Income Tax Penalties and Interest Policy -- Penalties and interest assessed by income taxing authorities are included in operating expenses. The Organization did not incur income tax penalties or interest for the years ended December 31, 2012 and 2011.

### 13. Concentrations of Credit Risk

The Organization maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation. At December 31, 2012 and 2011, the Organization's bank balances were fully secured.

## NOTE B - FIXED ASSETS

Fixed assets consist of the following:

## NOTE B - FIXED ASSETS (Continued)

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| Land | $ **24,905** | 24,905 |
| Building | **2,352,860** | 2,352,860 |
| Equipment and fixtures | **314,097** | 314,097 |
| Building improvements | **66,199** | 66,199 |
| Vehicles | **28,235** | 28,235 |
| | **2,786,296** | 2,786,296 |
| Less - Accumulated depreciation | **754,075** | 646,338 |
| Total Fixed Assets, Net Of Accumulated Depreciation | $ **2,032,221** | 2,139,958 |

Depreciation expense is $107,737 and $121,969 for the years ended December 31, 2012 and 2011.

## NOTE C - EMPLOYEE RETIREMENT PLAN

The Organization has adopted a 401(k) Retirement Plan that contains an employer company match. Participants are eligible to receive a matching contribution of 25% of contributions up to 4% of compensation. Contributions from the Organization to the Plan totaled $1,035 and $1,117 for the years ended December 31, 2012 and 2011, respectively.

## NOTE D - RELATED PARTY TRANSACTIONS

A member of the Organization's Board is also affiliated with the Ford Family Charitable Fund, a Fund of Greater St. Louis Community Foundation. During the years ended December 31, 2012 and 2011, the Fund contributed $748,550 and $702,500 to the Organization, respectively.

## NOTE E - FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement to date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

## NOTE E - FAIR VALUE MEASUREMENT (Continued)

The Organization's financial instruments are cash and cash equivalents, contributions receivable, and accounts payable. The recorded values of cash, cash equivalents, contributions receivable, and accounts payable approximate their fair value based on their short-term nature.

## NOTE F - OPERATING LEASES

The Organization leases equipment under certain operating lease agreements with terms in excess of one year. Annual aggregate lease payments remaining under the terms of the operating lease agreements are as follows:

| For The Years Ended December 31 | |
|---|---|
| 2013 | $ 1,667 |
| 2014 | 1,520 |
| 2015 | 1,224 |
| 2016 | 867 |
| Total | $ 5,278 |

## NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 3, 2013, the date which the financial statements were available for issue.

# SUPPLEMENTAL INFORMATION SECTION

## SCHEDULES OF FUNCTIONAL EXPENSES

| | For The Year Ended December 31, 2012 | | | |
|---|---|---|---|---|
| | Program Services | Management And General | Fundraising | Total |
| Compensation of officers | $ 22,174 | 35,480 | 31,044 | 88,698 |
| Other salaries and wages | 290,151 | 1,580 | 122,630 | 414,361 |
| Payroll taxes and processing fees | 64,802 | 13,610 | 20,984 | 99,396 |
| Total Salaries And Related Expenses | 377,127 | 50,670 | 174,658 | 602,455 |
| Fundraising | - | - | 68,825 | 68,825 |
| Rental and maintenance equipment | 16,000 | 6,486 | - | 22,486 |
| Summer program | 24,669 | - | - | 24,669 |
| After school program | 27,016 | - | - | 27,016 |
| Occupancy | 19,677 | 1,256 | - | 20,933 |
| Insurance | 18,729 | 1,283 | - | 20,012 |
| Miscellaneous | - | 23,191 | - | 23,191 |
| Accounting fees | - | 21,071 | - | 21,071 |
| Supplies | 12,861 | 24,375 | - | 37,236 |
| Training and staff development | 12,082 | - | - | 12,082 |
| Telephone | 2,322 | 1,670 | - | 3,992 |
| Program evaluation | 990 | - | - | 990 |
| Bank and credit card charge | - | 1,952 | - | 1,952 |
| Meals and entertainment | - | 1,292 | - | 1,292 |
| Membership dues | - | 2,916 | - | 2,916 |
| Total Expenses Before Depreciation | 511,473 | 136,162 | 243,483 | 891,118 |
| Depreciation | 91,576 | 16,161 | - | 107,737 |
| Total Expenses | $ 603,049 | 152,323 | 243,483 | 998,855 |

## SCHEDULES OF FUNCTIONAL EXPENSES

| | For The Year Ended December 31, 2011 | | | |
|---|---|---|---|---|
| | Program Services | Management And General | Fundraising | Total |
| Compensation of officers | $ 19,779 | 31,647 | 27,691 | 79,117 |
| Other salaries and wages | 279,456 | 1,963 | 76,667 | 358,086 |
| Payroll taxes and processing fees | 42,871 | 10,878 | 10,238 | 63,987 |
| Total Salaries And Related Expenses | 342,106 | 44,488 | 114,596 | 501,190 |
| Fundraising | - | - | 52,237 | 52,237 |
| Rental and maintenance equipment | 32,283 | 13,089 | - | 45,372 |
| Summer program | 36,596 | - | - | 36,596 |
| After school program | 22,801 | - | - | 22,801 |
| Occupancy | 20,093 | - | - | 20,093 |
| Insurance | 18,890 | 1,000 | - | 19,890 |
| Marketing | 18,976 | - | - | 18,976 |
| Impact21 Entrepreneurship Program | 18,438 | - | - | 18,438 |
| Miscellaneous | - | 12,345 | - | 12,345 |
| Accounting fees | - | 11,092 | - | 11,092 |
| Supplies | 3,349 | 5,897 | - | 9,246 |
| Training and staff development | 8,247 | - | - | 8,247 |
| Telephone | - | 4,143 | - | 4,143 |
| Program evaluation | - | 3,049 | - | 3,049 |
| Bank and credit card charge | - | 1,633 | - | 1,633 |
| Meals and entertainment | 1,342 | - | - | 1,342 |
| Membership dues | - | 437 | - | 437 |
| Total Expenses Before Depreciation | 523,121 | 97,173 | 166,833 | 787,127 |
| Depreciation | 103,674 | 18,295 | - | 121,969 |
| Total Expenses | $ 626,795 | 115,468 | 166,833 | 909,096 |