YOUTHBUILD USA, INC. AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

YOUTHBUILD USA, INC. AND AFFILIATES

Contents
December 31, 2019 and 2018

AAFCPAs
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Independent Auditor's Report

To the Board of Directors of
YouthBuild USA, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of YouthBuild USA, Inc. and Affiliates (Massachusetts corporations, not for profit), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of YouthBuild USA, Inc. and Affiliates as of December 31, 2019 and 2018, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
June 19, 2020

YOUTHBUILD USA, INC. AND AFFILIATES

Combined Statements of Financial Position
December 31, 2019 and 2018

	2019			2018		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash and cash equivalents	$ -	$ 2,757,694	$ 2,757,694	$ -	$ 1,731,621	$ 1,731,621
Funds held for others	42,627	-	42,627	42,041	-	42,041
Short-term investments	14,528	-	14,528	181,762	-	181,762
Grants and contracts receivable	5,408,257	-	5,408,257	5,740,914	-	5,740,914
Accounts receivable - other, net	26,093	-	26,093	73,083	-	73,083
Current portion of pledges receivable	-	1,431,383	1,431,383	114,011	3,514,758	3,628,769
Notes receivable, net	35,351	-	35,351	35,351	-	35,351
Prepaid expenses and other	254,862	-	254,862	336,361	-	336,361
Due (to) from	(2,430,397)	2,430,397	-	(2,687,767)	2,687,767	-
Total current assets	3,351,321	6,619,474	9,970,795	3,835,756	7,934,146	11,769,902
Investments	-	8,919,474	8,919,474	-	7,482,770	7,482,770
Pledges Receivable, net of current portion	-	880,000	880,000	-	250,000	250,000
Security Deposit	405,078	-	405,078	405,078	-	405,078
Property and Equipment:						
Buildings and land	54,103	-	54,103	54,103	-	54,103
Furnishings and equipment	761,997	-	761,997	1,001,571	-	1,001,571
Leasehold improvements	461,738	-	461,738	461,738	-	461,738
Construction in progress	141,435	-	141,435	-	-	-
	1,419,273	-	1,419,273	1,517,412	-	1,517,412
Less - accumulated depreciation and amortization	1,156,861	-	1,156,861	1,135,298	-	1,135,298
Net property and equipment	262,412	-	262,412	382,114	-	382,114
Total assets	$ 4,018,811	$ 16,418,948	$ 20,437,759	$ 4,622,948	$ 15,666,916	$ 20,289,864
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	$ 2,593,409	$ -	$ 2,593,409	374,363	-	374,363
Funds held for others	42,627	-	42,627	42,041	-	42,041
Accrued expenses	1,694,602	-	1,694,602	3,654,845	-	3,654,845
Deferred revenue	255,821	-	255,821	-	-	-
Total current liabilities	4,586,459	-	4,586,459	4,071,249	-	4,071,249
Net Assets:						
Without donor restrictions:						
Operating	(830,060)	-	(830,060)	169,585	-	169,585
Property and equipment	262,412	-	262,412	382,114	-	382,114
Total without donor restrictions	(567,648)	-	(567,648)	551,699	-	551,699
With donor restrictions	-	16,418,948	16,418,948	-	15,666,916	15,666,916
Total net assets	(567,648)	16,418,948	15,851,300	551,699	15,666,916	16,218,615
Total liabilities and net assets	$ 4,018,811	$ 16,418,948	$ 20,437,759	$ 4,622,948	$ 15,666,916	$ 20,289,864

The accompanying notes are an integral part of these combined statements.

YOUTHBUILD USA, INC. AND AFFILIATES

Combined Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue, Gains and Other Support:						
Grant and contract income	$ 16,383,814	$ 6,376,367	$ 22,760,181	$ 16,811,841	$ 7,139,617	$ 23,951,458
Training, consulting and conference fees	444,331	-	444,331	319,327	-	319,327
Investment gain (loss) - endowment designated for current operations	394,261	-	394,261	-	-	-
Contributions	407,312		407,312	1,202,070	-	1,202,070
Donated goods and services	293,623	-	293,623	167,381	-	167,381
Investment earnings	241,042	-	241,042	200,646	-	200,646
Products and other income	91,335	-	91,335	419,808	-	419,808
Affiliation fees	92,028	-	92,028	93,820	-	93,820
Net assets released from purpose donor restrictions	6,863,327	(6,863,327)	-	9,524,072	(9,524,072)	-
Total revenue, gains and other support	25,211,073	(486,960)	24,724,113	28,738,965	(2,384,455)	26,354,510
Expenses:						
Program services:						
Domestic Grants to Sites	8,599,829	-	8,599,829	9,984,141	-	9,984,141
Training and Technical Assistance	6,714,726	-	6,714,726	7,675,196	-	7,675,196
Youth on Board	660,113	-	660,113	515,473	-	515,473
Advocacy	644,907	-	644,907	629,662	-	629,662
International	5,157,277	-	5,157,277	4,867,784	-	4,867,784
Capacity Building	-	-	-	194,271	-	194,271
Total program services	21,776,852	-	21,776,852	23,866,527	-	23,866,527
General and administrative	4,115,303	-	4,115,303	3,614,815	-	3,614,815
Fundraising and development	301,761	-	301,761	921,245	-	921,245
Total expenses	26,193,916	-	26,193,916	28,402,587	-	28,402,587
Changes in net assets from operations	(982,843)	(486,960)	(1,469,803)	336,378	(2,384,455)	(2,048,077)
Non-Operating Revenue (Expense):						
Investment gain (loss) - endowment, net of endowment designated for current operations	-	1,238,992	1,238,992	-	(502,826)	(502,826)
Loss on disposal of property and equipment	(136,504)	-	(136,504)	-	-	-
Total non-operating revenues (expenses)	(136,504)	1,238,992	1,102,488	-	(502,826)	(502,826)
Changes in net assets	(1,119,347)	752,032	(367,315)	336,378	(2,887,281)	(2,550,903)
Net Assets:						
Beginning of year	551,699	15,666,916	16,218,615	317,578	18,554,197	18,871,775
Transfer of net assets	-	-	-	(102,257)	-	(102,257)
End of year	$ (567,648)	$ 16,418,948	$ 15,851,300	$ 551,699	$ 15,666,916	$ 16,218,615

The accompanying notes are an integral part of these combined statements.

Combined Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Changes in net assets	$ (367,315)	$ (2,550,903)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Investment (gain) loss - endowment	(1,238,992)	502,826
Depreciation	124,633	82,366
Bad debt	634,351	-
Changes in operating assets and liabilities:		
Grants and contracts receivable	(301,694)	(1,508,716)
Accounts receivable - other, net	46,990	320,159
Pledges receivable	1,567,386	354,701
Notes receivable, net	-	2,000
Prepaid expenses and other	81,499	(91,801)
Security deposit	-	(375,000)
Accounts payable	2,219,046	(1,487,439)
Accrued expenses	(1,960,243)	1,811,233
Deferred revenue	255,821	-
Net cash provided by (used in) operating activities	1,061,482	(2,940,574)
Cash Flows from Investing Activities:		
Purchase of investments	(1,362,957)	15,235
Proceeds from the sale of investments	1,332,479	1,553,543
Assets held in trust by others	586	-
Loss from the sale of property and equipment	136,504	-
Purchase of property and equipment	(141,435)	(193,491)
Net cash provided by (used in) investing activities	(34,823)	1,375,287
Cash Flows from Financing Activities:		
Line of credit	-	(750,000)
Note payable	-	(50,000)
Net cash provided by (used in) financing activities	-	(800,000)
Net Change in Cash and Restricted Cash	1,026,659	(2,365,287)
Cash and Restricted Cash:		
Beginning of year	1,773,662	4,138,949
End of year	$ 2,800,321	$ 1,773,662
Reconciliation of Cash and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash	$ 2,757,694	$ 1,731,621
Funds held for others	42,627	42,041
Cash and restricted cash	$ 2,800,321	$ 1,773,662

Combined Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services								
	Domestic Grants to Sites	Training and Technical Assistance	Youth on Board	Advocacy	International	Total Program Services	General and Adminis-trative	Fundraising and Development	Total
Payroll and Related:									
Salaries and wages	$ -	$ 3,122,206	$ 239,527	$ 334,964	$ 1,068,585	$ 4,765,282	$ 961,308	$ 216,097	$ 5,942,687
Payroll taxes and fringe benefits	-	837,895	59,475	90,784	299,550	1,287,704	575,415	55,434	1,918,553
Total payroll and related	-	3,960,101	299,002	425,748	1,368,135	6,052,986	1,536,723	271,531	7,861,240
Other:									
Site grants	8,599,829	-	-	-	2,848,787	11,448,616	-	-	11,448,616
Consulting	-	798,634	181,153	124,516	546,493	1,650,796	375,530	1,150	2,027,476
Travel, seminars and workshops	-	939,142	87,218	66,661	269,362	1,362,383	43,928	13,578	1,419,889
Vista stipends, net of cost share	-	693,309	5,000	-	-	698,309	-	-	698,309
Occupancy	-	-	-	-	-	-	705,414	-	705,414
Bad debt	-	-	-	-	-	-	634,351	-	634,351
Professional fees	-	46,795	2,564	2,073	29,819	81,251	345,204	-	426,455
Miscellaneous	-	70,224	17,332	17,206	3,253	108,015	63,463	7,907	179,385
Office supplies and minor equipment	-	32,172	1,515	1,360	9,872	44,919	102,838	-	147,757
Temporary employment	-	73,452	5,408	4,374	57,801	141,035	1,511	-	142,546
Depreciation	-	-	-	-	-	-	124,633	-	124,633
Telephone and electronic communication	-	12,051	2,338	559	2,031	16,979	74,587	403	91,969
Interest, fees and charges	-	23,966	1,683	1,354	18,580	45,583	23,039	1,379	70,001
Gifts to youth	-	-	54,248	-	-	54,248	-	-	54,248
Program and construction tools and supplies	-	47,804	1,902	167	91	49,964	268	-	50,232
Equipment rental	-	10,619	-	-	385	11,004	31,944	-	42,948
Insurance	-	-	-	-	1,396	1,396	29,644	-	31,040
Copying, printing, publications and other materials	-	841	51	59	-	951	10,776	5,418	17,145
Postage	-	5,616	-	830	1,272	7,718	5,813	395	13,926
Advertising	-	-	699	-	-	699	5,637	-	6,336
Total expenses	$ 8,599,829	$ 6,714,726	$ 660,113	$ 644,907	$ 5,157,277	$ 21,776,852	$ 4,115,303	$ 301,761	$ 26,193,916

The accompanying notes are an integral part of these combined statements.

YOUTHBUILD USA, INC. AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services									
	Domestic Grants to Sites	Training and Technical Assistance	Youth on Board	Advocacy	International	Capacity Building	Total Program Services	General and Adminis-trative	Fundraising and Development	Total
Payroll and Related:										
Salaries and wages	$ -	$ 3,765,515	$ 237,656	$ 317,105	$ 885,957	$ 90,242	$ 5,296,475	$ 1,108,205	$ 495,420	$ 6,900,100
Payroll taxes and fringe benefits	-	1,138,123	71,891	95,924	264,855	27,224	1,598,017	491,465	148,677	2,238,159
Total payroll and related	-	4,903,638	309,547	413,029	1,150,812	117,466	6,894,492	1,599,670	644,097	9,138,259
Other:										
Site grants	9,984,141	-	-	-	2,434,208	-	12,418,349	-	-	12,418,349
Consulting	-	908,619	150,492	178,621	588,346	-	1,826,078	440,944	51,950	2,318,972
Travel, seminars and workshops	-	1,041,082	26,488	23,824	558,222	-	1,649,616	71,675	34,393	1,755,684
Vista stipends, net of cost share	-	612,566	9,000	-	-	-	621,566	-	4,500	626,066
Occupancy	-	-	-	-	-	-	-	782,029	-	782,029
Professional fees	-	16,970	-	-	56,200	-	73,170	213,322	7,180	293,672
Miscellaneous	-	122,092	4,559	13,034	35,460	-	175,145	58,647	142,267	376,059
Office supplies and minor equipment	-	10,060	2,149	448	745	-	13,402	66,526	5,576	85,504
Temporary employment	-	10,999	5,000	-	-	-	15,999	69,978	14,633	100,610
Depreciation	-	-	-	-	-	-	-	82,366	-	82,366
Telephone and electronic communication	-	25,162	1,763	384	16,425	-	43,734	56,547	-	100,281
Interest, fees and charges	-	181	-	-	613	-	794	77,463	71	78,328
Gifts to youth	-	211	4,099	-	11,693	76,781	92,784	60	-	92,844
Program and construction tools and supplies	-	9,425	1,396	-	4,319	-	15,140	-	214	15,354
Equipment rental	-	-	-	-	177	-	177	32,600	-	32,777
Insurance	-	-	-	-	7,792	-	7,792	38,331	-	46,123
Copying, printing, publications and other materials	-	5,714	163	197	1,880	-	7,954	14,237	15,400	37,591
Postage	-	7,812	93	125	892	24	8,946	7,584	964	17,494
Advertising	-	665	724	-	-	-	1,389	2,836	-	4,225
Total expenses	$ 9,984,141	$ 7,675,196	$ 515,473	$ 629,662	$ 4,867,784	$ 194,271	$ 23,866,527	$ 3,614,815	$ 921,245	$ 28,402,587

1. OPERATIONS AND NONPROFIT STATUS

YouthBuild USA, Inc. (YBUSA) is an international nonprofit corporation established in 1990 to orchestrate the high-quality replication of the YouthBuild program in the USA and internationally. YBUSA provides training, technical assistance, research on best practices, and grants to local YouthBuild programs that provide opportunities for low-income and opportunity youth to transform their own lives through education, employment, service, and leadership, as well as become community leaders. Since 1990, 165,000 YouthBuild participants worldwide have contributed over 49.5 million community-service leadership hours building 30,000 units of affordable, increasingly green housing and other community assets.

Combined Entities

YouthBuild Loan Fund, Inc. (YBLF) is an affiliate of YBUSA through common board control that was formed in 2003 and began operations on April 1, 2004. YBLF provides loans and grants to community-based organizations in low-income communities, particularly those that include young people in affordable housing construction, leadership and business development, and small nonprofit organizations. During December 2018, YBLF was dissolved.

In July 2013, YBUSA created Mexico Youth Ventures LLC, a limited liability corporation, with YBUSA as its sole member. Mexico Youth Ventures LLC operates as a disregarded entity under YBUSA's nonprofit 501(c)(3) status. The mission of Mexico Youth Ventures LLC is to hold a membership interest in a Mexican nonprofit, YouthBuild International Mexico, A.C. (YBI Mexico), in furtherance of those nonprofit purposes of its member.

In December 2013, YBUSA created YBI Mexico, a Mexican nonprofit organization, with YBUSA and Mexico Youth Ventures LLC as its members. The mission of YBI Mexico is to provide training, technical assistance and consultation to create viable, sustainable livelihoods for all young people, through training, education, employment, and self-employment. All activity is recorded by YBUSA and is immaterial to the accompanying combined financial statements.

YBUSA, YBLF, Mexico Youth Ventures LLC and YBI Mexico (collectively, the Agency) are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within the IRC regulations.

Other Related Entities

YouthBuild Charter School of California (YCSC) is a California nonprofit public benefit corporation formed on March 8, 2007, to provide education based on the educational and other aspects of the YouthBuild program design and philosophy (also referred to as the "YouthBuild USA Model"). YCSC is a separate 501(c)(3) corporation with YBUSA as its sole statutory member. In accordance with generally accepted accounting standards and principles (U.S. GAAP), YCSC is not included in the accompanying combined financial statements as YBUSA does not have an economic interest in YCSC. No funds were received or expended by YBUSA for YCSC in 2019 or 2018.

In July 2014, YBUSA and Jobs for the Future (JFF) created MyBestBet Solutions LLC (MBB), a Massachusetts limited liability corporation, with YBUSA and JFF as its members, and with JFF as the resident agent. YBUSA and JFF are equal members in MBB. MBB has its own Federal identification number. The mission of MBB is to benefit and support the charitable and educational activities of its members; specifically to develop an innovative, effective and scalable technology-enabled website platform that is designed for young people to make informed decisions about science, technology, engineering, and mathematics careers and post-secondary training pathways. In May 2020, MBB purchased YBUSA's interest for a purchase price of $171,656.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of the Agency. The Agency had common Board of Director membership. All significant transactions between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combined financial statements.

Recently Adopted Accounting Pronouncement

On January 1, 2019, the Agency adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU superseded existing revenue recognition standards with a single model unless those contracts are within the scope of other standards (e.g. not-for-profit contributions). The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency adopted the new standards using the retrospective approach. There were no material changes in the timing of the recognition of the revenue and, therefore, the adoption of this ASU did not have a material impact on the Agency's combined financial position, results of operations or cash flows as of the adoption date or for the year ended December 31, 2018.

On January 1, 2019, the Agency also adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. Distinguishing between contributions and exchange transactions determines which revenue or expense recognition guidance is to be applied. Exchange transactions entered into by entities are accounted within the scope of ASU 2014-09 (see above) or other applicable guidance, while the guidance related to accounting for contributions received is included in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition.* The adoption of this ASU did not have a material impact on the Agency's combined financial position, results of operations or cash flows for the year ended December 31, 2018.

On January 1, 2019, the Agency also adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* This ASU amends the presentation of restricted cash within the combined statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the combined statement of cash flows. This ASU has been applied retrospectively to all periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued)

The adoption of ASU 2016-18 resulted in the following changes to the Agency's combined cash flow classification for the year ended December 31, 2018:

Combined Statement of Cash Flows	2018 As Previously Reported	Effect of Adoption	2018 As Adjusted
Operating activities	$ (2,940,574)	$ -	$ (2,940,574)
Investing activities	1,375,287	-	1,375,287
Financing activities	(800,000)	-	(800,000)
Net change in cash and restricted cash	$ (2,365,287)	$ -	$ (2,365,287)

Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents in the accompanying combined financial statements consist of checking and savings accounts. Cash and cash equivalents held in the investment portfolio are not included in cash and cash equivalents for the combined statements of cash flows. Funds held for others (see below) are included in cash and restricted cash in the accompanying combined statements of cash flow.

Funds Held for Others

The Agency holds certain funds on behalf of others for which it acts in an administrative capacity. These funds held for other are included as liabilities and related assets in the accompanying combined statements of financial position. The activities involved in spending these funds are not included as revenue or expense in the Agency's combined statements of activities and changes in net assets, as they are not expended on behalf of the Agency.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is management's estimate of the amount of probable credit losses in accounts receivable. The Agency takes into consideration historical and future trends.

Account balances are charged off against the allowance when it is probable the receivable will not be recovered. The allowance was $155,925 as of December 31, 2018. There was no allowance as of December 31, 2019.

Allowance for Loan Losses and Loan Loss Reserves

The Agency's method of accounting for loan loss reserves on loans is determined based on a specific range for risk ratings. Loan loss reserves on all other loans are determined by estimating the expected loan losses of each loan based on a specific rating system and establishing a specific allowance for loan losses.

The allowance for loan losses is expensed and the notes receivable are reduced by the amount of the allowance. As of December 31, 2019 and 2018, there were no loan reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investment earnings are reported as an increase in net assets without donor restrictions except for investment earnings on specific endowment funds, which are restricted by donor stipulations. These amounts are recorded as net assets with donor restrictions and are released to operations as they are spent in accordance with the Agency's spending policy. Gains on investments without donor restrictions are included in investment earnings in the accompanying combined statements of activities and changes in net assets for the years ended December 31, 2019 and 2018.

Interest and dividends are recognized when earned. Gains and losses are recognized as incurred upon sale or maturity of investments or based on market value changes during the period.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at estimated fair value when donated. The Agency uses the straight-line method of computing depreciation on all furnishings and equipment and leasehold improvements. The estimated useful lives of property and equipment are as follows:

Buildings	40 years
Furnishings and equipment	3 - 7 years
Computer software	3 years
Web page	3 - 5 years
Leasehold improvements	Remaining term of the lease

Net Assets

The net assets of the Agency consist of the following:

- ***Operating net assets*** represent the portion of net assets available for operations that contains no donor-imposed restrictions.
- ***Property and equipment net assets*** represent resources available and amounts expended for property and equipment.
- ***Net assets with donor restrictions*** represent grants and contributions whose uses are limited by purpose or time restrictions as outlined in the agreement with the grantors. Additionally, there are grants and contributions whose principal cannot be spent. Endowment gain (loss) are transferred to net assets without donor restrictions in accordance with the Agency's spending policy (see page 16). Investment earnings earned on the endowment are recorded as net assets without donor restrictions. All unspent realized and unrealized appreciation (depreciation) on the endowment is classified as net assets with donor restrictions.

Net assets with donor restrictions are restricted as follows as of December 31:

	2019	2018
Purpose restricted	$ 7,497,359	$ 7,984,319
Donor-restricted endowment funds held in perpetuity	5,500,000	5,500,000
Appreciation on donor-restricted endowment funds held in perpetuity (see Note 6)	3,371,589	2,132,597
Time restricted	50,000	50,000
	$ 16,418,948	$ 15,666,916

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Agency generally measures revenue for qualifying exchange transactions based on the amount of consideration the Agency expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Agency satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Agency evaluates its revenue recognition based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 13). Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grant and contract income is recorded over the period covered as services are provided under the terms of the contract. Contributions without donor restrictions are recorded as revenue when received or unconditionally committed. Grants designated by the donor for a specific time period or purpose are recognized as revenue and net assets with donor restrictions when received or committed. Transfers are made to revenue and net assets without donor restrictions as program restrictions are met, costs are incurred, or pro-rata over the period covered by the grant as time restrictions lapse. Net assets with donor restrictions received and spent in the same year are recorded as revenue without donor restrictions. Pledged grants to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. There was no discount as of December 31, 2019 and 2018.

Training, consulting, and conference fees are recognized as services are provided. Each fee is considered a single performance obligation as each fee is distinct. Revenue associated with products sold is recognized as products are delivered. Affiliation fees are recognized when received. Cash received in advance of the services being provided is shown as deferred revenue. All other revenue is recognized when earned.

Donated Goods and Services

During 2018, the Agency received donated goods valued at $750. The donated goods are valued at the approximate fair market value as determined by the donor on the date of donation.

Donated legal (see Note 3), web-hosting services, travel, and consulting are recorded based on pro-bono invoices or statements submitted from the relevant service providers. The Agency received donated services totaling $293,623 and $166,631 for the years ended December 31, 2019 and 2018, respectively. These expenses are included in professional fees, telephone and electronic communication, travel, seminars and workshops, and consulting in the accompanying combined statements of functional expenses.

In 2019 and 2018, the Agency received donated stocks valued at $20,794 and $49,299, respectively, on the date of receipt. The Agency's policy is to sell these stocks as soon as practical. All of those stocks were sold during 2019 and 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants to Sites

Grants to sites are recorded when expenses are incurred and supporting documentation has been received.

Advertising Costs

Advertising costs are expensed as incurred.

Expense Allocation

Expenses related directly to a program are charged to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and telephone, electronic communications, program and office supplies, which are allocated based on usage studies conducted annually.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenues (expenses) include investment and capital activity.

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at December 31, 2019 and 2018. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Agency values all of its investments (see Note 7) using Level 1 inputs.

Subsequent Events

Subsequent events have been evaluated through June 19, 2020, which is the date the combined financial statements were available to be issued. See Notes 1, 10 and 14 for subsequent events that met the criteria for disclosure.

3. RELATED PARTY TRANSACTIONS

The Agency had the following related party transactions:

- An employee of the Agency was a partner at Goulston and Storrs, which provided the Agency with pro-bono legal services of $293,623 and $140,730 for the years ended December 31, 2019 and 2018, which are included in professional fees in the accompanying combined statements of functional expenses.

- During 2019 and 2018, the Agency recognized revenue from MBB of $(55,237) and $237,985, respectively, which is included in products and other income in the accompanying combined statements of activities and changes in net assets.

3. RELATED PARTY TRANSACTIONS (Continued)

- During 2019, the Agency made grants in the amount of $190,750 to YCSC. The Agency is the sole statutory member of YCSC. The former President of the Agency is the Chair of the Board of Directors of YCSC. She is not involved in decisions regarding grant making or contracting for services or leasing of space between the two organizations. The Agency was owed $28,000 by YCSC as of December 31, 2018, which is included in accounts receivable - other in the accompanying combined statement of financial position.

4. NOTES RECEIVABLE

The Agency makes secured and unsecured loans to other nonprofit organizations. The annual interest rate charged by the Agency is 6%. The outstanding balance as of December 31, 2019, is due on various dates in 2020. The maximum loan amount committed by the Agency to one organization is $35,351 as of December 31, 2019 and 2018, respectively.

5. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2019 and 2018, were due as follows:

	2019	2018
Due within one year	$ 1,431,383	$ 3,628,769
Due within two and five years	$ 880,000	$ 250,000

Four and five donors' pledges represented approximately 92% and 89% of the total outstanding pledges as of December 31, 2019 and 2018, respectively.

6. ENDOWMENT

A reconciliation of endowment activity for 2019 and 2018 is as follows:

	With Donor Restrictions		
	Appreciation (Depreciation)	Perpetuity	Total Endowment
Endowment net assets, December 31, 2017	$ 2,635,423	$ 5,500,000	$ 8,135,423
Investment return:			
Net unrealized loss	(1,027,239)	-	(1,027,239)
Net realized gain	524,413	-	524,413
Total investment loss	(502,826)	-	(502,826)
Endowment net assets, December 31, 2018	2,132,597	5,500,000	7,632,597
Investment return:			
Net unrealized gain	1,162,567	-	1,162,567
Net realized gain	470,686	-	470,686
Designated for current operations	(394,261)	-	(394,261)
Total investment gain	1,238,992	-	1,238,992
Endowment net assets, December 31, 2019	$ 3,371,589	$ 5,500,000	$ 8,871,589

6. ENDOWMENT (Continued)

Interpretation of Relevant Law

Massachusetts adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. Subject to the intent of a donor, the Agency may appropriate for expenditure or accumulate so much of an endowment fund as the Agency determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Agency.

Return Objectives and Risk Parameters

The Agency's investment objectives, as established in the Investment Policy Statement approved by the Board of Directors include the following objectives:

- To maintain the purchasing power of the restricted assets and all future contributions in order to provide distributions per annum from the portfolio of no more than 5% of the average portfolio market value on December 31, of the trailing thirty-six month period, without specific action by the Board of Director for support of services and programs.

- To maintain an appropriate asset allocation based on a total return policy that is compatible with the spending policy noted below, while still having the potential to produce positive real returns.

Strategies Employed for Achieving Objectives

Endowment assets are invested in a well-diversified asset mix in order to reduce risk and to comply with current regulations, unless the Agency reasonably determines, because of special circumstances, that the purposes of the portfolio are better served without diversification.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Agency's Board of Directors established an investment spending policy in accordance with Massachusetts law. Under the policy, investment earnings are recognized as net assets without donor restrictions. Spending on the endowment appreciation shall not exceed 5% of the average portfolio market value over a trailing thirty-six month period. During 2019, the Agency appropriated $394,261 of the endowment gains to without donor restricted net assets. The Agency did not transfer any endowment gains to without donor restricted net assets in 2018. The Agency recognized in operations the interest and dividends earned on the endowment, which totaled $240,928 and $194,975 for the years ended December 31, 2019 and 2018, respectively.

Appreciation on the restricted endowment is included in net assets with donor restrictions and is released in accordance with the Agency's spending policy. Total investment gains (losses), net of endowment designated for current operations on the restricted endowment were $1,238,992 and $(502,826) for the years ended December 31, 2019 and 2018, respectively (see Note 7).

7. INVESTMENTS

Investments are recorded at market value and consist of money market funds, government bonds with maturities of more than three months, common stocks, and equity securities. These investments are uninsured and are subject to market fluctuations. Investments held for long-term purposes are classified as noncurrent assets.

7. INVESTMENTS (Continued)

The following tables present the investments by level within the valuation framework as of December 31:

Investment Type	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total
Investment cash and cash equivalents	$ 147,542	$ -	$ -	$ 147,542
Government and corporate bonds:				
Publicly traded	2,021,194	-	-	2,021,194
Common stocks:				
Publicly traded - domestic	2,467,385	-	-	2,467,385
Publicly traded - international	864,764	-	-	864,764
Mutual funds	3,433,117	-	-	3,433,117
Total	$ 8,934,002	$ -	$ -	$ 8,934,002

Investment Type	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total
Investment cash and cash equivalents	$ 241,711	$ -	$ -	$ 241,711
Government and corporate bonds:				
Publicly traded	1,520,753	-	-	1,520,753
Common stocks:				
Publicly traded - domestic	2,913,004	-	-	2,913,004
Publicly traded - international	1,762,592	-	-	1,762,592
Mutual funds	1,226,472	-	-	1,226,472
Total	$ 7,664,532	$ -	$ -	$ 7,664,532

Investment earnings pertaining to net assets without donor restrictions for the years ended December 31, 2019 and 2018, consist of interest and dividends of $241,042 and $200,646, respectively, which is earned on endowment funds and operating money market accounts.

Investment gain (loss) pertaining to the endowment fund for the years ended December 31, 2019 and 2018, consists of the following:

	2019	2018
Realized gain on investments - endowment	$ 1,162,567	$ 524,413
Unrealized gain (loss) on investments - endowment	470,686	(1,027,239)
Endowment designated for current operations	(394,261)	-
	$ 1,238,992	$ (502,826)

8. LINE OF CREDIT

The Agency had a secured $2,000,000 line of credit agreement with a bank. Borrowings under this agreement were due on demand with no maturity date. Interest accrued at the thirty-day London Interbank Offered Rate (LIBOR) Advantage rate, plus 350 basis points (5.26% and 6.00% at December 31, 2019 and 2018, respectively). The purpose of the line of credit was to support operations and assist with cash flow during times of need. There was no outstanding balance as of December 31, 2019 and 2018. Borrowings under this agreement are due on demand with no maturity date. Interest accrues at the thirty-day London Interbank Offered Rate (LIBOR) Advantage rate, plus 350 basis points.

9. NOTE PAYABLE

During 2009, YBLF entered into a $250,000 note payable agreement with a charitable trust; the proceeds of which were used to fund a portion of the partial repayment of a loan. YBUSA is the guarantor of this note payable. The note accrues interest at 1% and required quarterly payments of interest only of $625 through 2015. Beginning in 2015, in addition to the interest only payments, annual payments of $25,000 are required. During 2018, the charitable trust has forgiven the remaining payment of $25,000. Interest expense was $250 for the year ended December 31, 2018, and is included in interest, fees and charges in the 2018 accompanying combined statements of functional expenses.

10. OPERATING LEASES

The Agency entered into an operating lease agreement for office space in Somerville, Massachusetts that expired in April 2020, with monthly lease payments of $56,492. This lease was extended through December 2020, but can be terminated at any point after October 31, 2020 with 30 days written notice. Monthly lease payments of $40,000 commence on May 1, 2020. Rent expense under the lease was $677,903 for the years ended December 31, 2019 and 2018, and is included in occupancy in the accompanying combined statements of functional expenses.

During September 2018, the Agency entered into a lease agreement for space in Boston, Massachusetts that commences in October 2020 and expires in October 2030 with options to extend an additional 15 years. Base rent for the initial five years is $577,200 annually and will increase $13,650 each subsequent year.

The Agency leased office equipment under an agreement that expired in June 2020 with monthly payments of approximately $1,042. This agreement was terminated in February 2020 and the Agency entered into a new office equipment lease that expires in February 2020 with monthly payments of $1,646. Expenses incurred under these agreements totaled $37,512 and $32,777 for the years ended December 31, 2019 and 2018, respectively. These expenses are included in equipment rental in the accompanying combined statements of functional expenses.

Future minimum lease payments over the next five years are as follows:

	Facility	Equipment
2020	$ 690,268	$ 18,544
2021	577,200	19,752
2022	577,200	19,752
2023	577,200	19,752
2024	577,200	19,752
Thereafter	3,520,616	3,292
Total	$ 6,519,684	$ 100,844

11. CONCENTRATIONS AND CREDIT RISK

Funding

Approximately 36% and 50% of the Agency's grant and contract income without donor restrictions, including releases from restrictions, for the years ended December 31, 2019 and 2018, respectively, was from one and two funding sources.

Approximately 89% and 77% of the Agency's grants and contracts receivable at December 31, 2019 and 2018, respectively, are due from two funding sources. Of the Agency's total 2019 grant and contract income without donor restrictions, including releases from restrictions, totaling $23,247,141, approximately 70% was from public sources and 30% was from private sources. Of the Agency's total 2018 grant and contract income without donor restrictions, including releases from restrictions, totaling $26,335,913, approximately 68% was from public sources and 32% was from private sources.

Contributions without donor restrictions in the accompanying combined statements of activities and changes in net assets for the years ended December 31, 2019 and 2018, are comprised of the following:

	2019	2018
Individuals	$ 208,994	$ 660,662
Foundations	164,841	327,778
Corporations	33,477	213,630
	$ 407,312	$ 1,202,070

The Agency receives significant assistance from numerous government agencies in the form of contracts and grants. Expenditures of these funds require compliance with the agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Agency as of December 31, 2019 and 2018.

Cash and Cash Equivalents

The Agency maintains its cash balances in banks in Massachusetts and is insured within limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency's management believes it is not exposed to any significant credit risk on cash and cash equivalents.

12. CONDITIONAL GRANT

During 2018, a foundation awarded the Agency a $600,670 grant which is conditional upon the Agency meeting goals and meeting certain criteria and is to be paid in two installments of $332,743 and $267,927 over two years. The Agency met the first set of conditions and received the first installment of this grant during 2018, which is included in grant and contract income in the accompanying combined statements of activities and changes in net assets. During 2019, the Agency met the second set of conditions and received the second installment of this grant, which is included in grant and contract income in the accompanying combined statements of activities and changes in net assets.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the Agency within one year are as follows for the years ended December 31:

	2019	2018
Cash and cash equivalents	$ 2,757,694	$ 1,731,621
Short-term investments	14,528	181,762
Grants and contracts receivable	5,408,257	5,740,914
Accounts receivable - other	26,093	73,083
Current portion of pledges receivable	1,431,383	3,628,769
	9,637,955	11,356,149
Less - amounts subject to donor restrictions	(6,619,474)	(7,934,146)
Financial assets available for use	$ 2,748,481	$ 3,422,003

The Agency reviews its cash position and cash flow projections on a weekly basis to ensure that adequate funds are on hand to meet expenses. Excess funds are invested to maximize returns. The Agency also has a line of credit for borrowings up to $2,000,000 for immediate cash needs (see Note 8).

14. SUBSEQUENT EVENT

In March 2020, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy. The Agency was forced to close its headquarters location. Though the longer term financial effects cannot be reasonably estimated at this time, these circumstances will have adverse effects on the Agency, its operations, and future combined financial statements. The accompanying combined financial statements have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Agency is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. The Agency has applied for and was awarded a loan from the Paycheck Protection Program established by the Coronavirus Aid Relief and Economic Security Act (CARES Act) in the amount of $1,470,400. The funds will be used to pay certain payroll costs including benefits as well as utilities and lease payments. A portion of these funds may be forgiven, as defined in the agreement and the remainder of the funds will be due with interest at 1%. The repayment will be deferred until November 2020 when the note, plus interest, will be due in equal monthly payments through May 2022.

15. RECLASSIFICATION

Certain amounts in the 2018 combined financial statements have been reclassified to conform with the 2019 presentation.