

**YOUTHBUILD USA, INC. AND AFFILIATE**

**COMBINING FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

# YOUTHBUILD USA, INC. AND AFFILIATE

Contents  
December 31, 2018 and 2017

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	<u>Pages</u>
<b>Independent Auditor's Report</b> .....	1
<b>Combining Financial Statements:</b>	
Combining Statements of Financial Position .....	2 - 3
Combining Statements of Activities and Changes in Net Assets .....	4 - 5
Combining Statements of Cash Flows .....	6
Combining Statements of Functional Expenses .....	7 - 8
Notes to Combining Financial Statements .....	9 - 21



## Independent Auditor's Report

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

### **Report on the Combining Financial Statements**

We have audited the accompanying combining financial statements of YouthBuild USA, Inc. and YouthBuild Loan Fund, Inc. (Massachusetts corporations, not for profit), which comprise the combining statements of financial position as of December 31, 2018 and 2017, and the related combining statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

### ***Management's Responsibility for the Combining Financial Statements***

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the combining financial position of YouthBuild USA, Inc. and YouthBuild Loan Fund, Inc. as of December 31, 2018 and 2017, 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.

*Alexander, Crosser, Penning & Co., P.C.*

Westborough, Massachusetts  
August 2, 2019

**YOUTHBUILD USA, INC. AND AFFILIATE**

Combining Statement of Financial Position  
December 31, 2018

Assets	YouthBuild USA, Inc.			YouthBuild Loan Fund, Inc.	Eliminations	Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ -	\$ 1,731,621	\$ 1,731,621	\$ -	\$ -	\$ 1,731,621
Funds held for others	42,041	-	42,041	-	-	42,041
Short-term investments	181,762	-	181,762	-	-	181,762
Grants and contracts receivable	5,740,914	-	5,740,914	-	-	5,740,914
Accounts receivable - other, net	73,083	-	73,083	-	-	73,083
Current portion of pledges receivable	114,011	3,514,758	3,628,769	-	-	3,628,769
Notes receivable, net	35,351	-	35,351	-	-	35,351
Prepaid expenses and other	336,361	-	336,361	-	-	336,361
Due (to) from	(2,687,767)	2,687,767	-	-	-	-
Total current assets	<u>3,835,756</u>	<u>7,934,146</u>	<u>11,769,902</u>	<u>-</u>	<u>-</u>	<u>11,769,902</u>
Investments	-	7,482,770	7,482,770	-	-	7,482,770
Pledges Receivable, net of discount and current portion	-	250,000	250,000	-	-	250,000
Security Deposit	405,078	-	405,078	-	-	405,078
Property and Equipment:						
Furnishings and equipment	1,001,571	-	1,001,571	-	-	1,001,571
Leasehold improvements	461,738	-	461,738	-	-	461,738
Buildings and land	54,103	-	54,103	-	-	54,103
	<u>1,517,412</u>	<u>-</u>	<u>1,517,412</u>	<u>-</u>	<u>-</u>	<u>1,517,412</u>
Less - accumulated depreciation and amortization	1,135,298	-	1,135,298	-	-	1,135,298
Net property and equipment	<u>382,114</u>	<u>-</u>	<u>382,114</u>	<u>-</u>	<u>-</u>	<u>382,114</u>
Total assets	<u>\$ 4,622,948</u>	<u>\$ 15,666,916</u>	<u>\$ 20,289,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,289,864</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Accounts payable	\$ 374,363	\$ -	\$ 374,363	\$ -	\$ -	\$ 374,363
Funds held for others	42,041	-	42,041	-	-	42,041
Accrued expenses	3,654,845	-	3,654,845	-	-	3,654,845
Total current liabilities	<u>4,071,249</u>	<u>-</u>	<u>4,071,249</u>	<u>-</u>	<u>-</u>	<u>4,071,249</u>
Net Assets:						
Without donor restrictions:						
Operating	169,585	-	169,585	-	-	169,585
Property and equipment	382,114	-	382,114	-	-	382,114
Total without donor restrictions	<u>551,699</u>	<u>-</u>	<u>551,699</u>	<u>-</u>	<u>-</u>	<u>551,699</u>
With donor restrictions	-	15,666,916	15,666,916	-	-	15,666,916
Total net assets	<u>551,699</u>	<u>15,666,916</u>	<u>16,218,615</u>	<u>-</u>	<u>-</u>	<u>16,218,615</u>
Total liabilities and net assets	<u>\$ 4,622,948</u>	<u>\$ 15,666,916</u>	<u>\$ 20,289,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,289,864</u>

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

**YOUTHBUILD USA, INC. AND AFFILIATE**

Combining Statement of Financial Position  
December 31, 2017

	YouthBuild USA, Inc.			YouthBuild Loan Fund, Inc.	Eliminations	Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ -	\$ 4,095,559	\$ 4,095,559	\$ 1,349	\$ -	\$ 4,096,908
Funds held for others	42,041	-	42,041	-	-	42,041
Short-term investments	131,448	2,728	134,176	-	-	134,176
Grants and contracts receivable	4,232,198	-	4,232,198	-	-	4,232,198
Accounts receivable - other, net	392,669	-	392,669	573	-	393,242
Pledges receivable	97,249	2,795,315	2,892,564	-	-	2,892,564
Notes receivable, net	-	-	-	37,351	-	37,351
Prepaid expenses and other	244,560	-	244,560	-	-	244,560
Due from affiliates	91,280	-	91,280	-	(91,280)	-
Due (to) from	(717,729)	717,729	-	-	-	-
Total current assets	<u>4,513,716</u>	<u>7,611,331</u>	<u>12,125,047</u>	<u>39,273</u>	<u>(91,280)</u>	<u>12,073,040</u>
Investments	-	9,601,960	9,601,960	-	-	9,601,960
Pledges Receivable, net of discount and current portion	-	1,340,906	1,340,906	-	-	1,340,906
Security Deposit	30,078	-	30,078	-	-	30,078
Property and Equipment:						
Furnishings and equipment	815,383	-	815,383	-	-	815,383
Leasehold improvements	461,738	-	461,738	-	-	461,738
Buildings and land	46,800	-	46,800	-	-	46,800
	<u>1,323,921</u>	<u>-</u>	<u>1,323,921</u>	<u>-</u>	<u>-</u>	<u>1,323,921</u>
Less - accumulated depreciation and amortization	1,052,932	-	1,052,932	-	-	1,052,932
Net property and equipment	<u>270,989</u>	<u>-</u>	<u>270,989</u>	<u>-</u>	<u>-</u>	<u>270,989</u>
Total assets	<u>\$ 4,814,783</u>	<u>\$ 18,554,197</u>	<u>\$ 23,368,980</u>	<u>\$ 39,273</u>	<u>\$ (91,280)</u>	<u>\$ 23,316,973</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Current portion of note payable	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
Line of Credit	750,000	-	750,000	-	-	750,000
Accounts payable	1,861,802	-	1,861,802	-	-	1,861,802
Funds held for others	42,041	-	42,041	-	-	42,041
Accrued expenses	1,843,362	-	1,843,362	250	-	1,843,612
Due to affiliates	-	-	-	91,280	(91,280)	-
Total current liabilities	<u>4,497,205</u>	<u>-</u>	<u>4,497,205</u>	<u>116,530</u>	<u>(91,280)</u>	<u>4,522,455</u>
Note Payable, net of current portion	-	-	-	25,000	-	25,000
Total liabilities	<u>4,497,205</u>	<u>-</u>	<u>4,497,205</u>	<u>141,530</u>	<u>(91,280)</u>	<u>4,547,455</u>
Net Assets:						
Without donor restrictions:						
Operating	46,589	-	46,589	(104,871)	-	(58,282)
Property and equipment	270,989	-	270,989	-	-	270,989
Board designated - loan loss reserves	-	-	-	2,614	-	2,614
Total without donor restrictions	<u>317,578</u>	<u>-</u>	<u>317,578</u>	<u>(102,257)</u>	<u>-</u>	<u>215,321</u>
With donor restrictions	-	18,554,197	18,554,197	-	-	18,554,197
Total net assets	<u>317,578</u>	<u>18,554,197</u>	<u>18,871,775</u>	<u>(102,257)</u>	<u>-</u>	<u>18,769,518</u>
Total liabilities and net assets	<u>\$ 4,814,783</u>	<u>\$ 18,554,197</u>	<u>\$ 23,368,980</u>	<u>\$ 39,273</u>	<u>\$ (91,280)</u>	<u>\$ 23,316,973</u>

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

**YOUTHBUILD USA, INC. AND AFFILIATE**

 Combining Statement of Activities and Changes in Net Assets  
 For the Year Ended December 31, 2018

	YouthBuild USA, Inc.			YouthBuild Loan Fund, Inc.	Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	
<b>Revenue, Gains and Other Support:</b>					
Grant and contract income	\$ 16,811,841	\$ 7,139,617	\$ 23,951,458	\$ -	\$ 23,951,458
Contributions	1,202,070	-	1,202,070	-	1,202,070
Products and other income	419,808	-	419,808	-	419,808
Training, consulting and conference fees	319,327	-	319,327	-	319,327
Investment earnings	200,646	-	200,646	-	200,646
Donated goods and services	167,381	-	167,381	-	167,381
Affiliation fees	93,820	-	93,820	-	93,820
Net assets released from donor restrictions	9,524,072	(9,524,072)	-	-	-
<b>Total revenue, gains and other support</b>	<b>28,738,965</b>	<b>(2,384,455)</b>	<b>26,354,510</b>	<b>-</b>	<b>26,354,510</b>
<b>Expenses:</b>					
Program services:					
Domestic Grants to Sites	9,984,141	-	9,984,141	-	9,984,141
Training and Technical Assistance	7,675,196	-	7,675,196	-	7,675,196
Youth on Board	515,473	-	515,473	-	515,473
Advocacy	629,662	-	629,662	-	629,662
International	4,867,784	-	4,867,784	-	4,867,784
Capacity Building	194,271	-	194,271	-	194,271
<b>Total program services</b>	<b>23,866,527</b>	<b>-</b>	<b>23,866,527</b>	<b>-</b>	<b>23,866,527</b>
General and administrative	3,614,815	-	3,614,815	-	3,614,815
Fundraising and development	921,245	-	921,245	-	921,245
YouthBuild Loan Fund, Inc.	-	-	-	-	-
<b>Total expenses</b>	<b>28,402,587</b>	<b>-</b>	<b>28,402,587</b>	<b>-</b>	<b>28,402,587</b>
Changes in net assets from operations	336,378	(2,384,455)	(2,048,077)	-	(2,048,077)
<b>Non-Operating Revenue (Expense):</b>					
Investment loss - endowment	-	(502,826)	(502,826)	-	(502,826)
Changes in net assets	336,378	(2,887,281)	(2,550,903)	-	(2,550,903)
<b>Net Assets:</b>					
Beginning of year	317,578	18,554,197	18,871,775	(102,257)	18,769,518
Transfer of net assets	(102,257)	-	(102,257)	102,257	-
End of year	<u>\$ 551,699</u>	<u>\$ 15,666,916</u>	<u>\$ 16,218,615</u>	<u>\$ -</u>	<u>\$ 16,218,615</u>

**YOUTHBUILD USA, INC. AND AFFILIATE**

Combining Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2017

	YouthBuild USA, Inc.			YouthBuild Loan Fund, Inc.	Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	
<b>Revenue, Gains and Other Support:</b>					
Grant and contract income	\$ 20,124,777	\$ 7,910,173	\$ 28,034,950	\$ -	\$ 28,034,950
Investment appreciation - endowment allocated to operations	1,104,753	-	1,104,753	-	1,104,753
Contributions	469,220	-	469,220	-	469,220
Products and other income	26,100	-	26,100	-	26,100
Training, consulting and conference fees	392,466	-	392,466	-	392,466
Investment earnings	174,545	-	174,545	27	174,572
Donated goods and services	142,185	-	142,185	-	142,185
Affiliation fees	98,350	-	98,350	-	98,350
Net assets released from donor restrictions	5,427,406	(5,427,406)	-	-	-
<b>Total revenue, gains and other support</b>	<b>27,959,802</b>	<b>2,482,767</b>	<b>30,442,569</b>	<b>27</b>	<b>30,442,596</b>
<b>Expenses:</b>					
Program services:					
Domestic Grants to Sites	9,230,859	-	9,230,859	-	9,230,859
Training and Technical Assistance	8,038,132	-	8,038,132	-	8,038,132
Youth on Board	552,773	-	552,773	-	552,773
Advocacy	566,255	-	566,255	-	566,255
International	4,848,628	-	4,848,628	-	4,848,628
<b>Total program services</b>	<b>23,236,647</b>	<b>-</b>	<b>23,236,647</b>	<b>-</b>	<b>23,236,647</b>
General and administrative	4,208,034	-	4,208,034	-	4,208,034
Fundraising and development	513,007	-	513,007	-	513,007
YouthBuild Loan Fund, Inc.	-	-	-	3,250	3,250
<b>Total expenses</b>	<b>27,957,688</b>	<b>-</b>	<b>27,957,688</b>	<b>3,250</b>	<b>27,960,938</b>
<b>Changes in net assets from operations</b>	<b>2,114</b>	<b>2,482,767</b>	<b>2,484,881</b>	<b>(3,223)</b>	<b>2,481,658</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment gain - endowment	-	1,141,151	1,141,151	-	1,141,151
Investment appreciation - endowment allocation to operations	-	(1,104,753)	(1,104,753)	-	(1,104,753)
<b>Total non-operating revenues (expenses)</b>	<b>-</b>	<b>36,398</b>	<b>36,398</b>	<b>-</b>	<b>36,398</b>
<b>Changes in net assets</b>	<b>2,114</b>	<b>2,519,165</b>	<b>2,521,279</b>	<b>(3,223)</b>	<b>2,518,056</b>
<b>Net Assets:</b>					
Beginning of year	315,464	16,035,032	16,350,496	(99,034)	16,251,462
End of year	\$ 317,578	\$ 18,554,197	\$ 18,871,775	\$ (102,257)	\$ 18,769,518

**YOUTHBUILD USA, INC. AND AFFILIATE**

 Combining Statements of Cash Flows  
 For the Years Ended December 31, 2018 and 2017

	2018			2017		
	YouthBuild USA, Inc.	YouthBuild Loan Fund, Inc.	Combined Total	YouthBuild USA, Inc.	YouthBuild Loan Fund, Inc.	Combined Total
<b>Cash Flows from Operating Activities:</b>						
Changes in net assets	\$ (2,550,903)	\$ -	\$ (2,550,903)	\$ 2,521,279	\$ (3,223)	\$ 2,518,056
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Investment (gain) loss - endowment	502,826	-	502,826	(1,141,151)	-	(1,141,151)
Depreciation	82,366	-	82,366	98,122	-	98,122
Changes in operating assets and liabilities:						
Grants and contracts receivable	(1,508,716)	-	(1,508,716)	2,398,052	-	2,398,052
Accounts receivable - other, net	320,159	-	320,159	(177,460)	(1)	(177,461)
Pledges receivable	354,701	-	354,701	(1,912,162)	-	(1,912,162)
Notes receivable, net	2,000	-	2,000	-	-	-
Prepaid expenses and other	(91,801)	-	(91,801)	(33,476)	-	(33,476)
Due to (from) affiliate	-	-	-	(27,251)	27,251	-
Accounts payable	(1,487,439)	-	(1,487,439)	(255,710)	-	(255,710)
Accrued expenses	1,811,233	-	1,811,233	(1,096,243)	-	(1,096,243)
Net cash provided by (used in) operating activities	<u>(2,940,574)</u>	<u>-</u>	<u>(2,940,574)</u>	<u>374,000</u>	<u>24,027</u>	<u>398,027</u>
<b>Cash Flows from Investing Activities:</b>						
Purchase of investments	15,235	-	15,235	(133,791)	-	(133,791)
Proceeds from the sale of investments	1,553,543	-	1,553,543	849,443	-	849,443
Purchase of property and equipment	(193,491)	-	(193,491)	(50,319)	-	(50,319)
Net cash provided by investing activities	<u>1,375,287</u>	<u>-</u>	<u>1,375,287</u>	<u>665,333</u>	<u>-</u>	<u>665,333</u>
<b>Cash Flows from Financing Activities:</b>						
Line of credit	(750,000)	-	(750,000)	750,000	-	750,000
Note payable	(50,000)	-	(50,000)	-	(25,000)	(25,000)
Net cash provided by (used in) financing activities	<u>(800,000)</u>	<u>-</u>	<u>(800,000)</u>	<u>750,000</u>	<u>(25,000)</u>	<u>725,000</u>
<b>Cash Adjustment for Dissolution</b>	<u>1,349</u>	<u>(1,349)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>(2,363,938)</u>	<u>(1,349)</u>	<u>(2,365,287)</u>	<u>1,789,333</u>	<u>(973)</u>	<u>1,788,360</u>
<b>Cash and Cash Equivalents:</b>						
Beginning of year	<u>4,095,559</u>	<u>1,349</u>	<u>4,096,908</u>	<u>2,306,226</u>	<u>2,322</u>	<u>2,308,548</u>
End of year	<u>\$ 1,731,621</u>	<u>\$ -</u>	<u>\$ 1,731,621</u>	<u>\$ 4,095,559</u>	<u>\$ 1,349</u>	<u>\$ 4,096,908</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>						
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,192</u>	<u>\$ 500</u>	<u>\$ 8,692</u>

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



YOUTHBUILD USA, INC. AND AFFILIATE

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

	YouthBuild USA, Inc.											
	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	YouthBuild Loan Fund, Inc.	Combined Total
<b>Payroll and Related:</b>												
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	\$ -	\$ 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	-	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	-	9,138,259
<b>Other:</b>												
Site grants	9,984,141	-	-	-	2,434,208	-	12,418,349	-	-	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	-	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	-	1,755,684
Occupancy	-	-	-	-	-	-	-	782,029	-	782,029	-	782,029
Vista stipends, net of cost share	-	612,566	9,000	-	-	-	621,566	-	4,500	626,066	-	626,066
Miscellaneous	-	122,092	4,559	13,034	35,460	-	175,145	58,647	142,267	376,059	-	376,059
Professional fees	-	16,970	-	-	56,200	-	73,170	213,322	7,180	293,672	-	293,672
Temporary employment	-	10,999	5,000	-	-	-	15,999	69,978	14,633	100,610	-	100,610
Telephone and electronic communication	-	25,162	1,763	384	16,425	-	43,734	56,547	-	100,281	-	100,281
Gifts to youth	-	211	4,099	-	11,693	76,781	92,784	60	-	92,844	-	92,844
Depreciation	-	-	-	-	-	-	-	82,366	-	82,366	-	82,366
Office supplies and minor equipment	-	10,060	2,149	448	745	-	13,402	66,526	5,576	85,504	-	85,504
Interest, fees and charges	-	181	-	-	613	-	794	77,463	71	78,328	-	78,328
Insurance	-	-	-	-	7,792	-	7,792	38,331	-	46,123	-	46,123
Copying, printing, publications and other materials	-	5,714	163	197	1,880	-	7,954	14,237	15,400	37,591	-	37,591
Equipment rental	-	-	-	-	177	-	177	32,600	-	32,777	-	32,777
Program and construction tools and supplies	-	9,425	1,396	-	4,319	-	15,140	-	214	15,354	-	15,354
Postage	-	7,812	93	125	892	24	8,946	7,584	964	17,494	-	17,494
Advertising	-	665	724	-	-	-	1,389	2,836	-	4,225	-	4,225
Total expenses	<u>\$ 9,984,141</u>	<u>\$ 7,675,196</u>	<u>\$ 515,473</u>	<u>\$ 629,662</u>	<u>\$ 4,867,784</u>	<u>\$ 194,271</u>	<u>\$ 23,866,527</u>	<u>\$ 3,614,815</u>	<u>\$ 921,245</u>	<u>\$ 28,402,587</u>	<u>\$ -</u>	<u>\$ 28,402,587</u>

**YOUTHBUILD USA, INC. AND AFFILIATE**

 Combining Statement of Functional Expenses  
 For the Year Ended December 31, 2017

Youthbuild USA, Inc.												
	Program Services						General and Adminis- trative	Fundraising and Development	Total	YouthBuild Loan Fund, Inc.	Combined Total	
	Domestic Grants to Sites	Training and Technical Assistance	Youth on Board	Advocacy	International	Capacity Building						Total Program Services
<b>Payroll and Related:</b>												
Salaries and wages	\$ -	\$ 3,792,483	\$ 224,028	\$ 282,019	\$ 705,919	\$ -	\$ 5,004,449	\$ 1,316,917	\$ 347,564	\$ 6,668,930	\$ -	\$ 6,668,930
Payroll taxes and fringe benefits	-	1,149,959	67,769	84,903	213,980	-	1,516,611	723,153	106,648	2,346,412	-	2,346,412
Total payroll and related	-	4,942,442	291,797	366,922	919,899	-	6,521,060	2,040,070	454,212	9,015,342	-	9,015,342
<b>Other:</b>												
Site grants	9,230,859	-	-	-	2,646,113	-	11,876,972	-	-	11,876,972	-	11,876,972
Consulting	-	967,247	214,577	162,149	743,029	-	2,087,002	355,913	14,226	2,457,141	-	2,457,141
Travel, seminars and workshops	-	1,232,372	26,335	29,622	396,620	-	1,684,949	75,436	16,921	1,777,306	-	1,777,306
Occupancy	-	-	-	-	2,552	-	2,552	770,494	-	773,046	-	773,046
Vista stipends, net of cost share	-	567,054	9,000	-	-	-	576,054	-	-	576,054	-	576,054
Miscellaneous	-	41,999	4,225	5,562	26,611	-	78,397	69,426	3,494	151,317	-	151,317
Professional fees	-	19,676	90	-	67,791	-	87,557	203,998	6,782	298,337	2,250	300,587
Temporary employment	-	62,056	-	-	7,600	-	69,656	284,303	9,038	362,997	-	362,997
Telephone and electronic communication	-	39,384	2,790	535	20,498	-	63,207	73,277	223	136,707	-	136,707
Gifts to youth	-	90,820	95	-	759	-	91,674	-	-	91,674	-	91,674
Depreciation	-	-	-	-	-	-	-	98,122	-	98,122	-	98,122
Office supplies and minor equipment	-	8,204	395	672	1,485	-	10,756	57,863	1,275	69,894	-	69,894
Interest, fees and charges	-	-	-	-	65	-	65	82,484	-	82,549	1,000	83,549
Insurance	-	-	-	318	8,548	-	8,866	37,424	-	46,290	-	46,290
Copying, printing, publications and other materials	-	2,432	74	475	2,121	-	5,102	516	6,371	11,989	-	11,989
Equipment rental	-	7,586	-	-	248	-	7,834	45,309	-	53,143	-	53,143
Program and construction tools and supplies	-	41,744	3,079	-	3,486	-	48,309	-	194	48,503	-	48,503
Postage	-	15,106	-	-	1,203	-	16,309	6,405	271	22,985	-	22,985
Advertising	-	10	316	-	-	-	326	6,994	-	7,320	-	7,320
Total expenses	\$ 9,230,859	\$ 8,038,132	\$ 552,773	\$ 566,255	\$ 4,848,628	\$ -	\$ 23,236,647	\$ 4,208,034	\$ 513,007	\$ 27,957,688	\$ 3,250	\$ 27,960,938

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 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.

YouthBuild Loan Fund, Inc. (YBLF) is an affiliate of YBUSA 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 has its own Federal identification number, but 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 combining financial statements.

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 combining financial statements as YBUSA does not have an economic interest in YCSC. No funds were received or expended by YBUSA for YCSC in 2018 or 2017.

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.

YBUSA and YBLF (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.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### Recently Adopted Accounting Pronouncement

In fiscal year 2018, the Agency adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly. The adoption of this ASU did not impact the Agency's net asset classes, results of operations, or cash flows for the year ended December 31, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2017 combining financial statements.

#### Estimates

The preparation of combining 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 combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 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 combining 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 combining statements of cash flows.

#### 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 combining statements of financial position. The activities involved in spending these funds are not included as revenue or expense in the Agency's combining statements of activities and changes in net assets, as they are not expended on behalf of the Agency.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 and 2017.

#### 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 loans meeting the criteria are reflected in the net assets without donor restrictions as Board designated - loan loss reserves. 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.

At December 31, 2018 and 2017, the Agency's loan loss reserves consist of \$2,615 of Board designated net assets (see page 12). The allowance for loan losses is expensed and the notes receivable are reduced by the amount of the allowance.

#### 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 combining statements of activities and changes in net assets for the years ended December 31, 2018 and 2017.

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

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.
- **Board designated - loan loss reserves** represent funds set aside for loan losses (see page 11).
- **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 18). 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 follow as of December 31:

	<u>2018</u>	<u>2017</u>
Purpose restricted	\$ 7,984,319	\$ 10,418,774
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)	2,132,597	2,635,423
Time restricted	<u>50,000</u>	<u>-</u>
	<u>\$ 15,666,916</u>	<u>\$ 18,554,197</u>

#### Revenue Recognition

Contract income is recorded over the period covered as services are provided under the terms of the contract. Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally committed. Grants and contributions 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 or contribution 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 and contributions 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, 2018 and 2017. Training, consulting, and conference fees are recognized as services are provided. Revenue associated with products sold is recognized as products are delivered. Affiliation fees are recognized when received. All other revenue is recognized when earned.

## **YOUTHBUILD USA, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **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. There were no donated goods received for the year ended December 31, 2017.

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 \$166,631 and \$142,185 for the years ended December 31, 2018 and 2017, respectively. These expenses are included in professional fees, telephone and electronic communication, travel, seminars and workshops, and consulting in the accompanying combining statements of functional expenses.

In 2018 and 2017, the Agency received donated stocks valued at \$49,299 and \$3,579, 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 2018 and 2017.

#### **Grants to Sites**

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

#### **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.

#### **Advertising Costs**

Advertising costs are expensed as incurred.

#### **Combining 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 combining statements of activities and changes in net assets. Non-operating revenues (expenses) include investment activity.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 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.

#### 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 combining 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 combining financial statements at December 31, 2018 and 2017. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through August 2, 2019, which is the date the combining financial statements were available to be issued. Except as disclosed in Note 8, there were no events that met the criteria for recognition or disclosure in the combining financial statements.



## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 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 \$140,730 for the years ended December 31, 2018 and 2017, which are included in professional fees in the accompanying combining statements of functional expenses.
- A member of the Agency's Board of Directors is a professor at Brandeis University. Brandeis University provided the Agency with evaluation services in the amount of \$89,705 and \$225,273 for the years ended December 31, 2018 and 2017, respectively, which is included in consulting in the accompanying combining statements of functional expenses. The Agency owed \$50,000 to this organization as of December 31, 2017, which is included in accounts payable and accrued expenses in the accompanying combining statement of financial position. There were no amounts owned by the Agency as of December 31, 2018.
- During 2017, the Agency made grants in the amount of \$135,633 to MBB, a joint venture established with another agency (see Note 1), which is included in site grants in the accompanying combining statements of functional expenses. During 2018, the Agency recognized revenue of \$237,985, which is included in products and other income in the accompanying combining statement of activities and changes in net assets.
- In 2017, the Agency leased office space from YCSC in the amount of \$2,070. The Agency was owed \$28,000 by YCSC as of December 31, 2018 and 2017, which are included in accounts receivable - other in the accompanying combining statements of financial position. 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.

### 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, 2018, is due on various dates in 2019. The maximum loan amount committed by the Agency to one organization is \$35,351 and \$37,351 as of December 31, 2018 and 2017, respectively.

**YOUTHBUILD USA, INC. AND AFFILIATE**Notes to Combining Financial Statements  
December 31, 2018 and 2017

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**5. PLEDGES RECEIVABLE**

As of December 31, 2018 and 2017, pledges receivable consist of the following:

	<u>2018</u>	<u>2017</u>
The Prudential Foundation	\$ 1,415,000	\$ 2,530,000
JP Morgan Chase Foundation	534,084	-
Schultz Family Foundation	500,000	500,000
Saint-Gobain Corporation	500,000	-
Charles Stewart Mott Foundation	200,000	-
Fish Foundation	149,837	286,216
CRS Fomin	70,625	105,938
Conrad N. Hilton Foundation	-	150,000
The Kresge Foundation	-	150,000
The Hyams Foundation	-	150,000
All other	<u>509,223</u>	<u>361,316</u>
	3,878,769	4,233,470
Less - current portion	<u>3,628,769</u>	<u>2,892,564</u>
Long-term portion	<u>\$ 250,000</u>	<u>\$ 1,340,906</u>

Pledges receivable at December 31, 2018 and 2017, were due as follows:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 3,628,769	\$ 2,892,564
Due within two years	\$ 250,000	\$ 1,340,906

Four and two donors' pledges represented approximately 89% and 72% of the total outstanding pledges as of December 31, 2018 and 2017, respectively.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 6. ENDOWMENT

A reconciliation of endowment activity for 2018 and 2017 is as follows:

	<u>With Donor Restrictions</u>		
	<u>Appreciation (Depreciation)</u>	<u>Perpetuity</u>	<u>Total Endowment</u>
Endowment net assets, December 31, 2016	<u>\$ 2,599,025</u>	<u>\$ 5,500,000</u>	<u>\$ 8,099,025</u>
Investment return:			
Net unrealized gain	663,170	-	663,170
Net realized gain	477,981	-	477,981
Transfer of gains to unrestricted	<u>(1,104,753)</u>	<u>-</u>	<u>(1,104,753)</u>
Total investment loss	<u>36,398</u>	<u>-</u>	<u>36,398</u>
Endowment net assets, December 31, 2017	<u>2,635,423</u>	<u>5,500,000</u>	<u>8,135,423</u>
Investment return:			
Net unrealized loss	(1,027,239)	-	(1,027,239)
Net realized gain	<u>524,413</u>	<u>-</u>	<u>524,413</u>
Total investment gain	<u>(502,826)</u>	<u>-</u>	<u>(502,826)</u>
Endowment net assets, December 31, 2018	<u>\$ 2,132,597</u>	<u>\$ 5,500,000</u>	<u>\$ 7,632,597</u>

#### *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.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 6. ENDOWMENT (Continued)

#### *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. The Agency transferred \$1,104,753 of endowment gains to without donor restricted net assets in 2017. 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 \$194,975 and \$174,212 for the years ended December 31, 2018 and 2017, 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) on the restricted endowment were \$(502,826) and \$36,398 for the years ended December 31, 2018 and 2017, 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.

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

<u>Investment Type</u>	<b>2018</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
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	<u>1,226,472</u>	<u>-</u>	<u>-</u>	<u>1,226,472</u>
Total	<u>\$ 7,664,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,664,532</u>

**YOUTHBUILD USA, INC. AND AFFILIATE**Notes to Combining Financial Statements  
December 31, 2018 and 2017**7. INVESTMENTS (Continued)**

<u>Investment Type</u>	<u>2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investment cash and cash equivalents	\$ 365,856	\$ -	\$ -	\$ 365,856
Government and corporate bonds:				
Publicly traded	2,043,492	-	-	2,043,492
Common stocks:				
Publicly traded - domestic	4,214,764	-	-	4,214,764
Publicly traded - international	892,764	-	-	892,764
Mutual funds	<u>2,219,260</u>	<u>-</u>	<u>-</u>	<u>2,219,260</u>
Total	<u>\$ 9,736,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,736,136</u>

Investment earnings pertaining to net assets without donor restrictions for the years ended December 31, 2018 and 2017, consist of interest and dividends (including amounts released under spending policy, see Note 2) of \$200,646 and \$174,545, respectively.

Investment gain (loss) pertaining to the endowment fund for the years ended December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Unrealized gain (loss) on investments - endowment	\$ (1,027,239)	\$ 663,170
Realized gain on investments - endowment	<u>524,413</u>	<u>477,981</u>
	<u>\$ (502,826)</u>	<u>\$ 1,141,151</u>

**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 (6% and 5% at December 31, 2018 and 2017, respectively). The purpose of the line of credit was to support operations and assist with cash flow during times of need. There was a \$750,000 outstanding balance as of December 31, 2017. There was no outstanding balance as of December 31, 2018. Subsequent to the year end, the Agency has entered into a new secured \$2,000,000 line of credit agreement with a bank. 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 and \$500 for the years ended December 31, 2018 and 2017, respectively, and is included in interest, fees and charges in the accompanying combining statements of functional expenses. There was no interest paid during 2018.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 10. OPERATING LEASES

The Agency entered into an operating lease agreement for office space in Somerville, Massachusetts that expires in April 2020, with fully inclusive monthly lease payments of \$56,492. Rent expense under the lease was \$677,903 for the years ended December 31, 2018 and 2017, and is included in occupancy in the accompanying combining statements of functional expenses.

During September 2018, the Agency entered into a lease agreement for space in Boston, Massachusetts that commences in May 2020 and expires in May 2030 with options to extend an additional 15 years. Base rent for the initial five years is \$585,000 and will increase \$13,650 each subsequent year.

The Agency entered into various operating lease agreements for office space in California and Mexico that expired in 2017. These leases were not renewed. The leases were terminated during 2017 and there was no rent expense under these operating lease agreements in 2017.

The Agency leases office equipment under various agreements that expire through June 2020. These agreements require monthly payments ranging from \$242 to \$1,980. Expenses incurred under these agreements totaled \$32,777 and \$48,393 for the years ended December 31, 2018 and 2017, respectively. These expenses are included in equipment rental in the accompanying combining statements of functional expenses.

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

	<u>Facility</u>	<u>Equipment</u>
2019	\$ 615,968	\$ 28,337
2020	390,000	6,249
2021	585,000	-
2022	585,000	-
2023	585,000	-
Thereafter	<u>780,000</u>	<u>-</u>
Total	<u>\$ 3,540,968</u>	<u>\$ 34,586</u>

### 11. CONCENTRATIONS AND CREDIT RISK

#### Funding

Approximately 62% and 76% of the Agency's unrestricted grant and contract income, including releases from restrictions, for the years ended December 31, 2018 and 2017, respectively, was from two funding sources.

Approximately 77% and 75% of the Agency's grants and contracts receivable at December 31, 2018 and 2017, respectively, are due from two funding sources. Of the Agency's total 2018 grant and contract income without donor restrictions, including releases from restrictions, totaling \$26,608,904, approximately 69% was from public sources and 31% was from private sources. Of the Agency's total 2017 grant and contract income without donor restrictions, including releases from restrictions, totaling \$25,552,183, approximately 70% was from public sources and 30% was from private sources.

## YOUTHBUILD USA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
December 31, 2018 and 2017

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### 11. CONCENTRATIONS AND CREDIT RISK (Continued)

Unrestricted contributions in the accompanying combining statements of activities and changes in net assets for the years ended December 31, 2018 and 2017, are comprised of the following:

	<u>2018</u>	<u>2017</u>
Individuals	\$ 660,662	\$ 306,874
Foundations	327,778	31,760
Corporations	<u>213,630</u>	<u>130,586</u>
	<u>\$ 1,202,070</u>	<u>\$ 469,220</u>

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, 2018 and 2017.

#### 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. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for use by the Agency within one year as of December 31, 2018, are as follows:

Cash and cash equivalents	\$ 1,731,621
Short-term investments	181,762
Grants and contracts receivable	5,740,914
Accounts receivable - other	73,083
Current portion of pledges receivable	<u>3,628,769</u>
	11,356,149
Less - amounts subject to donor restrictions	<u>(7,934,146)</u>
Financial assets available for use	<u>\$ 3,422,003</u>

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).

### 13. 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 statements of activities and changes in net assets. The remaining conditions have not been met as of December 31, 2018, and therefore, the \$267,927 remaining balance of the grant is not reflected in the accompanying financial statements.