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YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Financial Statements

Year Ended June 30, 2018

BOSTON • 4238 Washington Street, Suite 307 • Boston, MA 02131 • t: 617.390.5734

NEW YORK • 1345 Avenue of the Americas • 33rd Floor, New York, NY 10105

email: info@daviskellycpas.com

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Financial Statements

For the Year Ended June 30, 2018

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Independent Auditor's Report

To the Board of Directors of
Youth Communication / New York Center, Inc.
New York, New York

We have audited the accompanying financial statements of Youth Communication / New York Center, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Communication / New York Center, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DavisKelly, LLC

New York, New York
October 19, 2018

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Statement of Financial Position

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

<i>Assets</i>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,517,086	\$ 1,409,472
Accounts receivable	173,807	164,996
Security deposit	94,468	94,468
Property and equipment, net	162,663	176,881
<i>Total assets</i>	<u>\$ 1,948,024</u>	<u>\$ 1,845,817</u>
 <i>Liabilities and net assets</i>		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	36,123	37,148
Deferred revenue	\$ -	\$ 23,299
<i>Total liabilities</i>	<u>36,123</u>	<u>60,447</u>
 <i>Net assets:</i>		
Unrestricted	1,756,902	1,625,370
Temporarily restricted	155,000	160,000
<i>Total net assets</i>	<u>1,911,902</u>	<u>1,785,370</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,948,024</u>	<u>\$ 1,845,817</u>

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

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Statement of Activities and Change in Net Assets

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>2017</u>
<i>Revenue and support</i>				
Corporations	\$ 40,000	\$ -	\$ 40,000	\$ 16,256
Foundations	1,085,542	-	1,085,542	649,542
Individual contributions	151,712	-	151,712	168,868
Events	-	-	-	14,059
Professional development contract income	141,979	-	141,979	44,226
Other contracted services	6,600	-	6,600	6,600
Book income and royalty	11,378	-	11,378	14,283
Subscriptions, advertising and permissions	4,230	-	4,230	6,253
Interest income	8,325	-	8,325	4,412
Released from restriction	5,000	(5,000)	-	-
<i>Total revenue and support</i>	<u>1,454,766</u>	<u>(5,000)</u>	<u>1,449,766</u>	<u>924,499</u>
<i>Expenses</i>				
Professional development program	647,337	-	647,337	628,070
Writing program	334,937	-	334,937	357,609
Administrative and general	188,249	-	188,249	155,675
Fundraising	152,711	-	152,711	156,830
<i>Total expenses</i>	<u>1,323,234</u>	<u>-</u>	<u>1,323,234</u>	<u>1,298,184</u>
<i>Changes in net assets</i>	<u>131,532</u>	<u>(5,000)</u>	<u>126,532</u>	<u>(373,685)</u>
<i>Net assets at beginning of year</i>	<u>1,625,370</u>	<u>160,000</u>	<u>1,785,370</u>	<u>2,159,055</u>
<i>Net assets at ending of year</i>	<u>\$ 1,756,902</u>	<u>\$ 155,000</u>	<u>\$ 1,911,902</u>	<u>\$ 1,785,370</u>

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

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

(with summarized comparative totals for the year ended June 30, 2017)

	<i>Program Services</i>		<i>Supporting Services</i>		<i>Total Program and Supporting Services</i>	
	<u><i>Professional Development</i></u>	<u><i>Writing Program</i></u>	<u><i>Administrative and General</i></u>	<u><i>Fund Raising</i></u>	<u><i>2018</i></u>	<u><i>2017</i></u>
Salaries	\$ 357,930	\$ 127,210	\$ 113,076	\$ 106,008	\$ 704,224	\$ 694,178
Payroll taxes	27,223	9,608	8,540	8,007	53,378	52,416
Fringe benefits	55,463	29,118	34,664	19,412	138,657	135,676
Bank, merchant fees, and other charges	8,734	-	-	1,541	10,275	11,845
Consultants and contractors	37,308	2,000	8,700	2,000	50,008	66,737
Supplies and services	14,998	12,427	12,637	7,714	47,776	39,825
Postage and shipping	30,689	683	987	956	33,315	34,150
Occupancy	47,222	112,994	5,059	3,373	168,648	166,713
Printing	57,105	1,814	1,866	1,693	62,478	41,770
Travel and transportation	1,158	3,107	133	90	4,488	4,686
Student stipends	-	22,036	-	-	22,036	23,688
Insurance	1,840	6,273	670	-	8,783	8,506
Depreciation	7,667	7,667	1,917	1,917	19,168	17,994
<i>Total expenses</i>	<u>\$ 647,337</u>	<u>\$ 334,937</u>	<u>\$ 188,249</u>	<u>\$ 152,711</u>	<u>\$ 1,323,234</u>	<u>\$ 1,298,184</u>

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

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Statements of Cash Flow

For the Year Ended June 30, 2018

(with comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
<i>Cash flows from operating activities</i>		
<i>Changes in net assets</i>	\$ 126,532	\$ (373,685)
<i>Adjustments to reconcile changes in net assets to net cash used for operating activities:</i>		
Depreciation	19,168	17,994
<i>Changes in:</i>		
Accounts receivable	(8,811)	325,297
Security deposit and other assets	-	105
Accounts payable and accrued expenses	(1,025)	31,740
Prepaid expenses	-	-
Deferred revenue	(23,299)	23,299
<i>Net cash provided by operating activities</i>	<u>112,564</u>	<u>24,750</u>
<i>Cash flows from investing activities</i>		
Purchase of furniture and equipment	<u>(4,950)</u>	<u>(5,506)</u>
<i>Net cash used in investing activities</i>	<u>(4,950)</u>	<u>(5,506)</u>
<i>Net increase in cash and cash equivalents</i>	107,614	19,244
<i>Cash and cash equivalents at beginning of year</i>	<u>1,409,472</u>	<u>1,390,228</u>
<i>Cash and cash equivalents at end of year</i>	<u>\$ 1,517,086</u>	<u>\$ 1,409,472</u>

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

YOUTH COMMUNICATION / NEW YORK CENTER, INC.

Financial Statements

For the Year Ended June 30, 2018

Note 1 - Nature of Organization

Youth Communication / New York Center, Inc. (“the Center”) was founded in 1980 in Delaware, and is a nonstock, nonprofit corporation helping youth develop their full potential through reading and writing, so that they can succeed in school and at work and contribute to their communities.

The Center publishes true stories by teens that are developed in rigorous writing programs. These stories are uniquely compelling to peers who do not see their experiences reflected in mainstream reading materials. They motivate teens to read and write, encourage good values, and show teens how to make positive changes in their lives. For teachers and other staff, the Center’s curricula and training provide tools to understand and engage hard-to-reach teens while helping them improve their academic, social, and emotional skills.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Center’s management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Allocation of Expenses

The Center allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification.

YOUTH COMMUNICATION/ NEW YORK CENTER, INC.

Notes to Financial Statements

For the Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organization*, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – consist of assets, public support, and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets – include funds with donor-imposed restrictions, which stipulate that the Center expend the assets as specified and are satisfied either by the passage of time or by actions of the Center. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently restricted net assets – include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Center to expend part or all of the income derived from the donated assets.

Plant, Property, and Equipment

Plant, property, and equipment are stated at cost, if purchased, or, if donated, at fair market value at the date of receipt. The cost of maintenance, repairs, and minor renewals are expensed as incurred and renewals and betterments are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of the assets.

Revenue Recognition

The Center reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

YOUTH COMMUNICATION/ NEW YORK CENTER, INC.

Notes to Financial Statements

For the Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Center considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Fair value approximates carrying amounts.

Income Tax Status

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, donations to the Center qualify for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Center is also exempt from New York State corporate franchise taxes and the New York City corporate income tax. However, the Center remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. The Organization has incurred and paid unrelated business income tax on the transit passes that were provided to the employees.

Contributions

The Center reports contributions as either permanently or temporarily restricted revenue if they are received with donor stipulations that limit the use of the assets. With temporarily restricted net assets, when the purpose of the restriction is satisfied, the net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributed goods and services

The Center records various types of in kind support including contributed professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received. Additionally, the Center receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria as described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

YOUTH COMMUNICATION/ NEW YORK CENTER, INC.

Notes to Financial Statements

For the Year Ended June 30, 2018

Note 3 - Concentration of Risk

Financial instruments which potentially subject the Center to concentration of credit risk consist principally of cash and cash equivalents maintained at creditworthy financial institutions. The Center maintained cash balances in three financial institutions in checking and savings, certificates of deposits, and money market funds. As of June 30, 2018 and 2017, the cash balances were \$1,517,086 and \$1,409,472, respectively. However, the Center had not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Note 4 - Plant, Property, and Equipment

Plant, property, and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office furniture and equipment	\$ 122,819	\$ 117,870
Leasehold improvement	450,910	450,910
	573,729	568,780
Less: accumulated depreciation	<u>(411,066)</u>	<u>(391,899)</u>
Property and equipment, net	<u>\$ 162,663</u>	<u>\$ 176,881</u>

Depreciation expenses for the years ended June 30, 2018 and 2017 was \$19,168 and \$17,994, respectively.

Note 5 - Accounts Receivable

The unconditional promises to give amounted to \$173,807 which is expected to be collected in full within one year; therefore, no allowance for doubtful accounts has been recorded against those balances.

YOUTH COMMUNICATION/ NEW YORK CENTER, INC.

Notes to Financial Statements

For the Year Ended June 30, 2018

Note 6 - Commitment

The Organization has an operating lease for the office space located at 242 West 38th Street, New York, NY which will be expired on August 31, 2022. There is a security deposit of \$92,817 on the lease.

Future minimum annual lease payments required under the lease are as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2019	169,588
2020	176,636
2021	181,493
Thereafter (to August 2022)	218,273
Total	\$ 745,990

Note 7 - Temporarily Restricted Net Assets

Net assets in the amounts of \$155,000 and \$160,000 are temporarily restricted by time, or for specific purposes and programs by donors at June 30, 2018 and 2017, respectively.

Note 8 - Related Party Transaction

For the years ended June 30, 2018 and 2017, the Organization paid total compensation of approximately \$39,611 for the Executive Director's daughter, employed by the Center as External Relations and Operations Manager.

Note 9 - Subsequent events

ASC 855-10 defines "Subsequent events" as further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization management has evaluated events subsequent to June 30, 2018 to October 19, 2018 which is the date the financial statements were available to be issued. There was no material events noted during this period that would impact the results reflected in this report.