

YES

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

YES
(A California Non-Profit Corporation)
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VASIN, HEYN & COMPANY

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Young Eisner Scholars (YES)
(A California Non-Profit Corporation)
Inglewood, California

We have audited the accompanying financial statements of Young Eisner Scholars (dba YES), (A California Non-Profit Corporation), which comprise the statement of financial position as of August 31, 2016, 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.

Auditors' 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Eisner Scholars as of August 31, 2016, 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.

Report on Summarized Comparative Information

We previously audited Young Eisner Scholars' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Young Eisner Scholars.

Vorlein, Hagen + Co.

Calabasas, California
May 2, 2017

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 412,564	\$ 625,415
Promises to give, net of allowance	1,078,745	1,407,929
Accounts receivable	12,257	10,197
Investments	2,284,740	2,146,290
Deposits and prepaid expenses	40,998	41,432
Property and equipment, net	<u>12,942</u>	<u>21,732</u>
 Total assets	 <u>\$ 3,842,246</u>	 <u>\$ 4,252,995</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 6,995	\$ 42,409
Accrued payroll and related liabilities	<u>6,327</u>	<u>5,772</u>
 Total liabilities	 13,322	 48,181
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Unrestricted	3,447,470	3,830,384
Temporarily restricted	<u>381,454</u>	<u>374,430</u>
 Total net assets	 <u>3,828,924</u>	 <u>4,204,814</u>
 Total liabilities and net assets	 <u>\$ 3,842,246</u>	 <u>\$ 4,252,995</u>

See accompanying auditors' report and notes to financial statements

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 453,530	\$ 395,350	\$ 848,880	\$ 1,189,624
Fundraising events	-	-	-	1,419,687
In-kind contributions	18,545	-	18,545	55,060
Interest income	16,100	-	16,100	32,526
Realized gain(loss) on sale of investments	-	-	-	1,759
Unrealized gain(loss) on investments	123,946	-	123,946	(78,845)
Restrictions released	388,326	(388,326)	-	-
Total revenue and restrictions released	1,000,447	7,024	1,007,471	2,619,811
EXPENSES				
Program services	1,209,700	-	1,209,700	1,555,336
Support services	85,058	-	85,058	90,136
Fundraising expenses	88,603	-	88,603	171,012
Total expenses	1,383,361	-	1,383,361	1,816,484
CHANGE IN NET ASSETS	(382,914)	7,024	(375,890)	803,327
NET ASSETS - beginning of year	3,830,384	374,430	4,204,814	3,401,487
NET ASSETS - end of year	\$ 3,447,470	\$ 381,454	\$ 3,828,924	\$ 4,204,814

See accompanying auditors' report and notes to financial statements

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund- raising</u>	<u>2016 Total Expenses</u>	<u>2015 Total Expenses</u>
Salaries and related expenses					
Salaries	\$ 368,980	\$ 25,331	\$ 42,640	\$ 436,951	\$ 428,823
Payroll taxes	26,782	2,076	3,630	32,488	36,929
Employee benefits	<u>38,555</u>	<u>1,699</u>	<u>6,093</u>	<u>46,347</u>	<u>42,091</u>
	434,317	29,106	52,363	515,786	507,843
Other Expenses					
Auto	1,761	824	-	2,585	4,365
Bank charges	-	1,872	-	1,872	3,577
Computer expenses	4,353	-	-	4,353	8,495
Conferences and meetings	3,738	1,285	-	5,023	7,409
Donor development	-	-	-	-	8,980
Dues and subscriptions	-	2,608	-	2,608	3,303
Education and training	6,519	15	-	6,534	14,388
Equipment rental and maintenance	-	1,739	-	1,739	1,889
Field trips and events	11,188	-	-	11,188	18,609
Food costs	1,098	-	-	1,098	537
In-kind, donated rent	6,000	6,000	-	12,000	12,000
In-kind, venue and meal	-	-	6,545	6,545	43,060
Insurance	6,451	491	858	7,800	12,434
Marketing	36,553	10,444	5,222	52,219	55,017
Office expense	-	5,941	-	5,941	7,382
Outside services	20,787	4,000	-	24,787	18,833
Postage and delivery	-	887	-	887	1,058
Professional fees	49,824	13,600	8,079	71,503	79,840
Rent and utilities	29,870	-	-	29,870	31,792
Small equipment	-	2,109	-	2,109	536
Special event - supplies	-	-	15,536	15,536	43,413
Stipends	6,000	-	-	6,000	6,000
Student support	51,412	-	-	51,412	54,071
Student support, counseling	10,162	-	-	10,162	-
Student test prep fees and dues	9,344	-	-	9,344	20,082
Student travel	19,358	-	-	19,358	26,894
Student tuition	387,798	-	-	387,798	442,410
Supplies	56,404	-	-	56,404	46,105
Taxes and licenses	-	428	-	428	55
Telephone	3,950	-	-	3,950	4,080
Travel	41,818	1,978	-	43,796	49,243
Unmet promises to give	-	-	-	-	270,000
Volunteer	<u>3,936</u>	<u>-</u>	<u>-</u>	<u>3,936</u>	<u>3,994</u>
	1,202,641	83,327	88,603	1,374,571	1,807,694
Depreciation	<u>7,059</u>	<u>1,731</u>	<u>-</u>	<u>8,790</u>	<u>8,790</u>
Total expenses	<u>\$ 1,209,700</u>	<u>\$ 85,058</u>	<u>\$ 88,603</u>	<u>\$ 1,383,361</u>	<u>\$ 1,816,484</u>

See accompanying auditors' report and notes to financial statements

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (375,890)	\$ 803,327
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	8,790	8,790
Unmet promises to give, receivable	-	270,000
Donated stock	(25,220)	(14,905)
Realized & unrealized (gain)loss on investments, net	(123,946)	77,086
(Increase) decrease in:		
Promises to give, net of allowance	329,184	(219,875)
Accounts receivable	(2,060)	(10,197)
Contributions receivable	-	45,000
Deposits and prepaid expenses	434	(39,232)
Increase (decrease) in:		
Accounts payable and accrued expenses	(35,414)	33,504
Accrued payroll and related liabilities	555	467
Unearned revenue	-	(27,500)
	<u>152,323</u>	<u>123,138</u>
Net Cash Provided (Used) by Operating Activities	(223,567)	926,465
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of investments	269,464	619,704
Purchase of investments	<u>(258,748)</u>	<u>(2,225,328)</u>
Net Cash Provided (Used) by Investing Activities	10,716	(1,605,624)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(212,851)	(679,159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>625,415</u>	<u>1,304,574</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 412,564</u>	<u>\$ 625,415</u>
Supplementary Disclosures:		
In-kind contributions	<u>\$ 18,545</u>	<u>\$ 55,060</u>

See accompanying auditors' report and notes to financial statements

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

1. ORGANIZATION

Young Eisner Scholars was founded pursuant to the California Non-Profit Public Benefit Corporation laws and conducts its activities exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1954 under which it is qualified as a tax-exempt organization.

Young Eisner Scholars (YES) identifies young leaders from low-income communities and equips them with the resources, support, and academic skills required for success through high school, college, and career. Dedicated to promoting America's promise of equal opportunity for equal talent, Young Eisner Scholars helps to reshape the landscape of low-income communities by empowering underserved students to fulfill their greatest potential. Young Eisner Scholars identifies these students in Los Angeles, New York, Chicago and Appalachia and provides them with every opportunity to ensure their success in high school, their admission to college, their placement in their first job, and beyond. YES Scholars and their families receive the necessary support required for their achievement and remain engaged with Young Eisner Scholars for life. Young Eisner Scholars currently serves over 400 students and is growing at a rate of 45-60 new students each year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Young Eisner Scholars prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by Young Eisner Scholars are described below to enhance the usefulness and understandability of the financial statements.

Financial Statement Presentation

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of Young Eisner Scholars' net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Unrestricted net assets.* Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of Young Eisner Scholars, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Temporarily restricted net assets.* Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Young Eisner Scholars' unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by Young Eisner Scholars, unless the donor provides more specific directions about the period of its use.
- *Permanently restricted net assets.* Permanently restricted net assets are resources whose use by Young Eisner Scholars is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. Young Eisner Scholars did not have any permanently restricted net assets at August 31, 2016.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, Young Eisner Scholars' cash balances exceeded federally insured limits. Management believes Young Eisner Scholars is not exposed to any significant credit risk on cash and cash equivalents.

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to Give

Promises to give were recognized at fair value of the promise. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. An allowance for doubtful accounts was established for promises to give at August 31, 2015 totaling \$270,000 which remained the same through August 31, 2016.

Accounts Receivable

Receivables consist of accounts receivable and contribution receivables and are stated at the amount management expects to collect from outstanding balances. Young Eisner Scholars uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all receivables were collectible at August 31, 2016 and therefore no allowance has been established.

Investments

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in restricted net assets in the accompanying statement of activities.

Deposits and Prepaid Expenses

Deposits, prepaid expenses and other costs are expensed ratably over their respective terms of agreement.

Property and Equipment

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Young Eisner Scholars' assets will be capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Property, consisting primarily of equipment, is depreciated on a straight-line basis over estimated useful lives, generally three to five years. Fully depreciated assets are retained in the accounts at their estimated salvage value until their retirement. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Leasehold improvements	5 years
Vehicles	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

**YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Vacation Policy

Accrued vacation benefits are accrued on a monthly basis. Full-time employees in Los Angeles (except a bus driver) and New York City (as FY 17) accrue vacation time based upon years of service to Young Eisner Scholars as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
0 - 1 year	Two Weeks
2-3 years	Three Weeks
4+ years	Four Weeks

Part-time employees accrue two weeks of vacation during their first three years, and three weeks of vacation after their third year of completion with Young Eisner Scholars. Unused vacation may be carried over into the subsequent year; however, the maximum vacation allowed per year for Regular Full Time Employees is 6 weeks (30 business days). If vacation is not carried over to the subsequent year, employees will be reimbursed for their unused hours. Unused vacation will be paid at the time of termination. Total accrued vacation at August 31, 2016 was \$5,702.

Revenue Recognition

Revenues from government agencies, program service fees, and other third-party payers for services provided under such contracts are recognized when earned by Young Eisner Scholars. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Unearned Revenue.

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Young Eisner Scholars is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. Young Eisner Scholars is also exempt from federal unemployment tax. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Young Eisner Scholars has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended August 31, 2016, Young Eisner Scholars had no material unrecognized tax benefits, tax penalties or interest.

Young Eisner Scholars' Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended August 31; 2015, 2014, and 2013, are subject to examination by the IRS, generally for 3 years after they were filed.

Expense Recognition and Allocation

The cost of providing Young Eisner Scholars' programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Young Eisner Scholars.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Young Eisner Scholars generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Young Eisner Scholars reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability 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 asset or liability 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 or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Young Eisner Scholars has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents, promises to give, and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds and stocks are valued at quoted market prices, which represent the net asset value held by Young Eisner Scholars at year end.

The carrying amounts of liabilities approximate fair value because of the relatively short maturity of these financial instruments.

When available, Young Eisner Scholars measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Young Eisner Scholars' management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Young Eisner Scholars' management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2015 comparative totals have been reclassified to conform with the 2016 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Young Eisner Scholars financial statements for the year ended August 31, 2015, from which the summarized information was derived.

3. PROMISES TO GIVE, NET OF ALLOWANCE

Promises to give are measured as Level 1 inputs using market prices and are stated at fair value. Promises to give at August 31, 2016 are as follows:

Receivable in less than one year	\$ 257,500
Receivable in one to five years	886,250
Receivable in more than five years	<u>300,000</u>
Total Promises to Give	1,443,750
Less allowance for uncollectible promises to give	(270,000)
Less unamortized discount at 2%	<u>(95,005)</u>
Net Promises to Give	<u>\$ 1,078,745</u>

The unamortized discount is based on a risk free rate and additional market risk factor.

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016
(CONTINUED)

4. INVESTMENTS

Young Eisner Scholars measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Young Eisner Scholars to develop its own assumptions. Young Eisner Scholars uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Young Eisner Scholars measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at August 31, 2016 are Level 1 inputs.

Investments consist of the following at August 31, 2016 and are measured at fair value:

	<u>Total</u>	<u>Level 1</u>
Stocks	\$ 1,742,006	\$ 1,742,006
Mutual Funds	<u>542,734</u>	<u>542,734</u>
	<u>\$ 2,284,740</u>	<u>\$ 2,284,740</u>

At August 31, 2016, Young Eisner Scholars does not have any investments measured using Level 2 or 3 inputs.

The composition of the investment return reported in the Statement of Activities as of August 31, 2016 is as follows:

Unrealized gain(loss) on investments	\$ 123,946
Dividends	<u>16,100</u>
Total investment return	<u>\$ 140,046</u>

YOUNG EISNER SCHOLARS
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016
(CONTINUED)

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at August 31, 2016:

Leasehold Improvements	\$ 8,655
Vehicles	<u>35,295</u>
	43,950
Less: Accumulated Depreciation	<u>(31,008)</u>
Property and Equipment, net	<u>\$ 12,942</u>

Total depreciation expense for the year ended August 31, 2016 was \$8,790.

6. COMMITMENTS

Young Eisner Scholars has entered into equipment leases under short-term and long term lease agreements expiring through July 30, 2018. Future minimum rental payments under non-cancelable leases are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2017	\$ 1,733
2018	<u>1,733</u>
Total	<u>\$ 3,466</u>

Total equipment rental expense, for the year ended August 31, 2016, amounted to \$1,739.

Young Eisner Scholars has guaranteed the rent for a New York City apartment for two YES Scholars with an Annual Lease expense of \$29,870 for the year ended August 31, 2016. The renewal lease expired May 31, 2016 and is on a month to month basis as of August 31, 2016.

YOUNG EISNER SCHOLARS
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FOR THE YEAR ENDED AUGUST 31, 2016
(CONTINUED)

7. RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2016, consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

<u>Grant</u>	<u>Balance</u> <u>8/31/15</u>	<u>Income</u>	<u>Expenditures</u>	<u>Balance</u> <u>8/31/16</u>
Tuition Assistance Program	\$ 224,967	\$ 133,900	\$ (259,293)	\$ 99,574
CEE Busing	-	8,500	(8,500)	-
Janis Lee	-	150	(150)	-
Chicago	6,156	-	(6,156)	-
Mayra Castaneda	2,465	9,300	(11,027)	738
NSI Consultant	-	26,000	(8,000)	18,000
Neiden Hernandez	37,710	-	-	37,710
NYC Funds	1,410	-	(1,410)	-
Oscar Velazquez	-	500	(500)	-
Roberto Perez	12,646	-	(12,214)	432
Boarding School (Summer Program)	-	5,000	(5,000)	-
Women Leadership	64,076	-	(64,076)	-
Women & Stem	-	100,000	-	100,000
Albert Acosta	25,000	-	-	25,000
Entertainment	-	100,000	-	100,000
HS Supplies & College Tours	-	2,000	(2,000)	-
Stem Majors	-	10,000	(10,000)	-
Total Temporarily Restricted Net Assets	<u>\$ 374,430</u>	<u>\$ 395,350</u>	<u>\$ (388,326)</u>	<u>\$381,454</u>

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(CONTINUED)

8. IN-KIND CONTRIBUTIONS

For the year ended August 31, 2016, YES recorded total in-kind contributions of \$18,545.

In-kind contributions are recorded at their fair market value and consist of the following:

Donated facilities	\$ 12,000
Event costs – Small Development Dinner (food and valet parking)	<u>6,545</u>
Total in-kind expenses	<u>\$ 18,545</u>

9. FUNDRAISING EVENTS

Historically, YES has held a fundraising dinner/gala every two- four years. This fiscal year YES did not hold a fundraising event; however, one of YES’ supporters hosted a donor development dinner at the home of our Board Member Roger Birnbaum. The dinner was to introduce YES to a new group of donors but was not intended to be a fundraising event. Tickets were not sold. Donors made contributions after the dinner but were not formally asked by YES to make a donation. The revenue and in kind-expenses from the development event held during the year ended August 31, 2016 were as follows:

	<u>Jamie Bakal</u>
	<u>Development Dinner</u>
Contributions	\$ 12,400
In-kind donation, dinner and valet parking	<u>6,545</u>
Total event revenue	\$ 18,945
Special fundraising event expenses, including in-kind	<u>(6,545)</u>
Special fundraising events, net revenue	<u>\$ 12,400</u>

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(CONTINUED)

10. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. Young Eisner Scholars deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The majority of Young Eisner Scholars' contributions and grants are received from corporations, foundations, and individuals located in the greater Inglewood metropolitan area and from agencies of the state of California. As such, Young Eisner Scholars' ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Young Eisner Scholars' services.

Young Eisner Scholars' investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Young Eisner Scholars' financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

11. SUBSEQUENT EVENTS

Young Eisner Scholars has evaluated events subsequent to August 31, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 2, 2017, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

In June of 2016, YES applied for a Non-Profit Sustainability Grant through the California Community Foundation to formally acquire HYPE, a like-minded education 501(c)(3) organization with 96 students across East Los Angeles and the San Fernando Valley. The grant was approved in August of 2016 and the acquisition will be completed in the spring of 2017. The acquisition will increase the number of students served by 96 students, expand YES' geographic outreach, (middle school, high school, and college) and will also add a new position, a Director of High School Programs. Rachel Torrey, the co-founder of HYPE, will become a YES staff member and will be the Director of High School Programs. This will cause an increase in YES' budget and will require additional funding in the coming years as the program has grown by 25%. The acquisition will be fully executed this spring once the HYPE lease at the US Bank Tower has been reassigned to YES.