

Access Youth Academy

Financial Statements

Years Ended August 31, 2016 and 2015 (Restated)



ACCESS YOUTH ACADEMY
Financial Statements
Years Ended August 31, 2016 and 2015 (Restated)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Access Youth Academy
San Diego, California

We have audited the accompanying financial statements of Access Youth Academy (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Access Youth Academy as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Reclassification of net assets

As discussed in Note 11 to the financial statements, Access Youth Academy has adjusted the 2015 financial statements to correct classification misstatements within net assets. Our opinion is not modified with respect to the matter.

Aldrich CPAs + Advisors LLP (formerly AKT LLP)
San Diego, California
May 16, 2017

ACCESS YOUTH ACADEMY
Statements of Financial Position
August 31, 2016 and 2015 (Restated)

ASSETS	2016	2015 (Restated)
Current Assets:		
Cash	\$ 1,209,135	\$ 802,170
Pledges receivable	25,000	500,000
Prepaid expenses	15,672	14,018
Total Current Assets	1,249,807	1,316,188
Non-Current Assets:		
Pledges receivable, net	45,715	-
Property and equipment, net of accumulated depreciation	34,186	29,058
Total Non-Current Assets	79,901	29,058
Total Assets	\$ 1,329,708	\$ 1,345,246
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,050	\$ 5,299
Accrued expenses	10,366	4,633
Total Current Liabilities	11,416	9,932
Deferred Revenue	45,498	57,120
Total Liabilities	56,914	67,052
Net Assets:		
Unrestricted deficit	(105,830)	(39,008)
Temporarily restricted	1,243,624	1,317,202
Permanently restricted	135,000	-
Total Net Assets	1,272,794	1,278,194
Total Liabilities and Net Assets	\$ 1,329,708	\$ 1,345,246

ACCESS YOUTH ACADEMY
Statement of Activities
Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Individual contributions	\$ 174,018	\$ 14,099	\$ 135,000	\$ 323,117
Grants	43,600	196,500	-	240,100
In-kind contributions	81,100	-	-	81,100
Corporate contributions	22,412	24,107	-	46,519
Special events	38,667	-	-	38,667
Net assets released from restrictions, Satisfaction of program restrictions	308,284	(308,284)	-	-
Total Revenue and Support	668,081	(73,578)	135,000	729,503
Expenses:				
Program services	446,228	-	-	446,228
Supporting services:				
General and administrative	123,300	-	-	123,300
Fundraising	165,375	-	-	165,375
Total Expenses	734,903	-	-	734,903
Change in Net Assets	(66,822)	(73,578)	135,000	(5,400)
Net Assets (Deficit), beginning	(39,008)	1,317,202	-	1,278,194
Net Assets (Deficit), ending	\$ (105,830)	\$ 1,243,624	\$ 135,000	\$ 1,272,794

ACCESS YOUTH ACADEMY
Statement of Activities
Year Ended August 31, 2015 (Restated)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Individual contributions	\$ 266,207	\$ -	\$ 266,207
Grants	-	184,052	184,052
In-kind contributions	113,920	-	113,920
Corporate contributions	31,643	53,500	85,143
Special events	49,212	-	49,212
Other	1,471	-	1,471
Net assets released from restrictions, Satisfaction of program restrictions	<u>163,867</u>	<u>(163,867)</u>	<u>-</u>
Total Revenue and Support	626,320	73,685	700,005
Expenses:			
Program services	416,616	-	416,616
Supporting services:			
General and administrative	111,812	-	111,812
Fundraising	<u>162,008</u>	<u>-</u>	<u>162,008</u>
Total Expenses	<u>690,436</u>	<u>-</u>	<u>690,436</u>
Change in Net Assets	(64,116)	73,685	9,569
Net Assets (Deficit), beginning (as previously stated)	(82,488)	1,351,113	1,268,625
Reclassification	<u>107,596</u>	<u>(107,596)</u>	<u>-</u>
Net Assets, beginning (as restated)	<u>25,108</u>	<u>1,243,517</u>	<u>1,268,625</u>
Net Assets (Deficit), ending	<u>\$ (39,008)</u>	<u>\$ 1,317,202</u>	<u>\$ 1,278,194</u>

ACCESS YOUTH ACADEMY
Statement of Functional Expenses
Year Ended August 31, 2016

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 209,467	\$ 49,348	\$ 117,457	\$ 376,272
Facility use fees	144,000	-	-	144,000
Payroll taxes	13,969	6,734	12,874	33,577
Outside services	-	24,875	-	24,875
Professional fees	-	17,725	-	17,725
Special events	227	520	16,213	16,960
Squash tournament	15,271	-	-	15,271
Marketing and development	-	-	15,029	15,029
Insurance	-	12,782	-	12,782
Summer camps	9,808	-	-	9,808
Depreciation	8,292	-	-	8,292
In-kind entertainment	8,100	-	-	8,100
College trip	7,931	-	-	7,931
Miscellaneous	5,784	1,889	-	7,673
Automobile	7,048	-	-	7,048
Travel	5,371	-	-	5,371
Telephone	2,690	720	1,604	5,014
Supplies	944	3,342	148	4,434
Staff development and training	3,666	-	231	3,897
Payment provider processing fees	-	2,005	-	2,005
SAT prep courses	1,801	-	-	1,801
Board	-	(15)	1,638	1,623
Postage	269	1,166	118	1,553
Food and drink	1,433	-	63	1,496
Payroll processing fees	-	1,359	-	1,359
Printing and copying	157	850	-	1,007
Total Operating Expenses	\$ 446,228	\$ 123,300	\$ 165,375	\$ 734,903

ACCESS YOUTH ACADEMY
Statement of Functional Expenses
Year Ended August 31, 2015 (Restated)

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 182,521	\$ 42,881	\$ 97,524	\$ 322,926
Facility use fees	144,000	-	-	144,000
Special events	-	-	28,047	28,047
Payroll taxes	15,761	2,050	8,449	26,260
Professional fees	-	25,132	-	25,132
Squash tournament	15,490	-	-	15,490
Insurance	-	14,290	-	14,290
Outside services	-	13,500	-	13,500
Travel	12,416	-	-	12,416
College trip	9,377	-	-	9,377
Marketing and development	-	-	9,290	9,290
In-kind entertainment	8,420	-	-	8,420
Automobile	7,108	-	-	7,108
Depreciation	-	6,278	-	6,278
Board	-	-	5,825	5,825
Miscellaneous	3,907	1,889	-	5,796
Supplies	3,059	2,736	-	5,795
Payroll processing fees	-	5,563	-	5,563
Summer camps	5,415	-	-	5,415
Telephone	1,680	2,238	1,090	5,008
Staff development and training	4,320	535	89	4,944
Payment provider processing fees	-	4,453	-	4,453
Postage	661	862	196	1,719
SAT prep courses	1,300	-	-	1,300
Food and drink	1,050	-	-	1,050
Total Operating Expenses	\$ 416,616	\$ 111,812	\$ 162,008	\$ 690,436

ACCESS YOUTH ACADEMY
Statements of Cash Flows
Years Ended August 31, 2016 and 2015 (Restated)

	<u>2016</u>	<u>2015</u> (Restated)
Cash Flows from Operating Activities:		
Change in net assets	\$ (5,400)	\$ 9,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,292	6,278
Permanently restricted contributions	(135,000)	-
Changes in operating assets and liabilities:		
Pledges receivable, net	429,285	380,948
Prepaid expenses	(1,654)	(5,561)
Accounts payable	(4,249)	3,294
Accrued expenses	5,733	3,184
Deferred revenue	<u>(11,622)</u>	<u>57,120</u>
Net Cash Provided by Operating Activities	285,385	454,832
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(13,420)	(20,681)
Cash Flows Provided by Financing Activities:		
Permanently restricted contributions	<u>135,000</u>	<u>-</u>
Net Increase in Cash	406,965	434,151
Cash, beginning	<u>802,170</u>	<u>368,019</u>
Cash, ending	<u><u>\$ 1,209,135</u></u>	<u><u>\$ 802,170</u></u>

ACCESS YOUTH ACADEMY

Notes to Financial Statements

Years Ended August 31, 2016 and 2015 (Restated)

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Access Youth Academy (the Organization – formerly Surf City Squash Inc.) is a 501(c)(3) nonprofit organization that was incorporated in 2005 in California. The principal mission of the Organization is to use the sport of squash as a catalyst to transform the lives of underserved youth. The Organization provides an after-school program to students of San Diego County, which is focused on the Organization's four pillars: Academic Achievement, Health and Wellness, Leadership, and Social Responsibility. The Organization is supported through public and private grants and contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports 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 represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. There were no permanently restricted net assets for the year ended August 31, 2015.

Pledges Receivable

Pledges receivable consist of unconditional promises to give. The allowance for estimated uncollectible pledges receivable is based on past experience and an analysis of current receivable balances and is expensed when the pledge is initially received. Receivables deemed uncollectible are recorded against the allowance. There was no estimated allowance for pledges receivable at August 31, 2016 and 2015 as management believes all amounts are collectible. Pledges to be received over a period greater than 1 year from the date of the financial statements are discounted using a discount rate of 3%.

Property and Equipment

Acquisitions of property and equipment of \$2,000 or more and with a useful life of greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at approximate value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven years.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

ACCESS YOUTH ACADEMY

Notes to Financial Statements

Years Ended August 31, 2016 and 2015 (Restated)

Note 1 – Organization and Summary of Significant Accounting Policies, continued

In-kind Contributions

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value for services that require specialized skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. In-kind contributions are recognized as unrestricted net assets, unless donor stipulation requires them to be recognized as temporarily restricted net assets.

During the years ended August 31, 2016 and 2015, the Organization received \$81,100 and \$113,920 of in-kind contributions, respectively.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended August 31, 2016 and 2015, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended August 31, 2016 and 2015.

Subsequent Events

The Organization has evaluated subsequent events through May 16, 2017, which is the date the financial statements were available to be issued.

Note 2 – Concentration of Credit Risk

Revenue

During the years ended August 31, 2016 and 2015, the Organization received approximately 40% of its total grant and contribution revenue from three sources of revenue and 27% of its total grant and contribution revenue from one source of revenue, respectively.

Cash

The Organization maintains accounts at a financial institution with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization's accounts at this institution may, at times, exceed FDIC-insured limits of up to \$250,000. The Organization has not experienced any such losses in these accounts and believes it is not exposed to any significant credit risk on cash.

ACCESS YOUTH ACADEMY
Notes to Financial Statements
Years Ended August 31, 2016 and 2015 (Restated)

Note 3 – Pledges Receivable

Pledges receivable is summarized as follows:

	2016	2015
Gross pledges receivable	\$ 75,000	\$ 500,000
Imputed discount - 3%	<u>(4,285)</u>	<u>-</u>
	<u>\$ 70,715</u>	<u>\$ 500,000</u>
Pledges receivable due in one year or less	\$ 25,000	\$ 500,000
Pledges receivable due within one to five years	<u>45,715</u>	<u>-</u>
	<u>\$ 70,715</u>	<u>\$ 500,000</u>

Note 4 – Property and Equipment

Property and equipment consists of the following:

	2016	2015
Leasehold Improvements	\$ 35,597	\$ 30,227
Furnitures and fixtures	28,781	28,781
Vehicles	26,620	26,620
Construction in progress	8,050	-
Library	<u>600</u>	<u>600</u>
	99,648	86,228
Less accumulated depreciation	<u>(65,462)</u>	<u>(57,170)</u>
	<u>\$ 34,186</u>	<u>\$ 29,058</u>

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at August 31:

	2016	2015
Capital Campaign	\$ 1,230,517	\$ 1,296,248
Time Restrictions	10,000	-
Program Restrictions	<u>3,107</u>	<u>20,954</u>
	<u>\$ 1,243,624</u>	<u>\$ 1,317,202</u>

ACCESS YOUTH ACADEMY

Notes to Financial Statements

Years Ended August 31, 2016 and 2015 (Restated)

Note 5 – Temporarily Restricted Net Assets, continued

During the years ended August 31, 2016 and 2015, net assets were released from donor restrictions by incurring expenditures satisfying the restrictions as follows:

	2016	2015
Capital Campaign	\$ 169,830	\$ 112,506
Program Restrictions	138,454	51,361
	<u>\$ 308,284</u>	<u>\$ 163,867</u>

Note 6 – Permanently Restricted Net Assets

Permanently restricted net assets consist of two donor restricted endowments contributed during the year ended August 31, 2016 totaling \$135,000. Of that amount, \$70,000 was received and \$65,000 is included in pledges receivable as of August 31, 2016. Earnings from these endowments are to be used to support Access Youth Academy students.

Note 7 – Related Party Transactions

The Organization leased its facilities from Squash Group, LLC dba San Diego Squash. The members of Squash Group, LLC consist of two board members and one unrelated member.

In August 2015, the Organization entered into a one year lease agreement, automatic renewal annually. In 2016, the Squash Group, LLC with a monthly rent of approximately \$6,000. The Organization paid Squash Group, LLC \$71,000 and \$38,500 in rent for the years ended August 31, 2016 and 2015, respectively. In-kind donation and expense totaling \$73,000 and \$113,920 has been recognized as a result of the difference between amounts paid and the fair market value of the facility rent for the years ended August 31, 2016 and 2015, respectively.

Future minimum lease payments under this operating lease are as follows:

<u>Year ending August 31,</u>		
2017	\$	45,500
Thereafter		<u>-</u>
	\$	<u>45,500</u>

Note 8 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ACCESS YOUTH ACADEMY

Notes to Financial Statements

Years Ended August 31, 2016 and 2015 (Restated)

Note 9 – Pension Plan

The Organization has a 401(k) salary deferral and profit sharing plan (the Plan) that is offered to all eligible employees, whereby employees may, on a pretax basis, contribute a portion of their earnings to a retirement account. The Organization may also make annual contributions at its discretion to the Plan. Contributions made by the Organization to the Plan totaled \$7,321 and \$6,931 for the years ended August 31, 2016 and 2015, respectively.

Note 10 – Deferred Revenue

The Organization has received advanced payments related conditional pledges that contained donor conditions (facility naming requirements). Since these pledges represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Advanced payments related to conditional pledges totaled \$13,583 and \$57,120 at August 31, 2016 and 2015, respectively.

In addition, deferred revenue also includes advanced payments related to special events. Advanced payments related to special events totaled \$31,915 at August 31, 2016.

Note 11 – Prior Period Adjustment

During 2016, the Organization discovered temporarily restricted net assets that were not being properly released. Accordingly, the Organization has restated net assets as of August 31, 2014 as well as the 2015 financial statements, which are now presented to correct for the error. The effect of the correction reclassified \$107,596 in temporarily restricted net assets to unrestricted net assets as of August 31, 2014, and released \$112,506 in temporarily restricted net assets to unrestricted net assets for the year ended August 31, 2015. These restatements had no effect on total change in net assets or total net assets.

Note 12 – Use of Restricted Funds

The Organization has used temporarily restricted funds to fund unrestricted operations due to the unrestricted deficit at August 31, 2016 and 2015. The Organization incurred a decrease in unrestricted net assets of approximately \$67,000 for the year ended August 31, 2016 and a decrease in unrestricted net assets of approximately \$64,000 for the year ended August 31, 2015.

The Organization has implemented a plan which management believes will lead to an increase in unrestricted net assets. The Organization has focused on increasing net unrestricted revenue by cost cutting measures to reduce the deficit, primarily reducing staffing and continuing to review all expenditures to help assure that costs remain at or below budgeted levels. Additionally, the Organization's annual Gala was much more successful than prior years with a larger venue and more attendees. The 2017 fiscal year Annual Gala had an increase of approximately \$50,000 in net revenue and management expects the trend to continue.