

# Access Youth Academy

Financial Statements

Years Ended August 31, 2017 and 2016



**ACCESS YOUTH ACADEMY**  
**Financial Statements**  
Years Ended August 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
February 1, 2018

**ACCESS YOUTH ACADEMY**  
**Statements of Financial Position**  
August 31, 2017 and 2016

<b>ASSETS</b>	2017	2016
Current Assets:		
Cash	\$ 749,563	\$ 1,209,135
Pledges receivable	325,720	25,000
Prepaid expenses	34,216	15,672
Total Current Assets	1,109,499	1,249,807
Non-Current Assets:		
Pledges receivable, net	-	45,715
Property and equipment, net of accumulated depreciation	369,843	34,186
Total Non-Current Assets	369,843	79,901
Total Assets	\$ 1,479,342	\$ 1,329,708
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 51,605	\$ 1,050
Accrued expenses	16,641	10,366
Total Current Liabilities	68,246	11,416
Deferred Revenue	31,811	45,498
Total Liabilities	100,057	56,914
Net Assets:		
Unrestricted (deficit)	199,253	(105,830)
Temporarily restricted	1,170,032	1,243,624
Permanently restricted	10,000	135,000
Total Net Assets	1,379,285	1,272,794
Total Liabilities and Net Assets	\$ 1,479,342	\$ 1,329,708

**ACCESS YOUTH ACADEMY**  
**Statement of Activities**  
Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support:				
Corporate contributions	\$ 15,897	\$ 375,000	\$ -	\$ 390,897
Individual contributions	162,171	-	-	162,171
Special events	136,326	-	-	136,326
Grants	91,646	-	-	91,646
Other	22,811	-	-	22,811
Reclassification of permanently restricted net assets (Note 6)	-	125,000	(125,000)	-
Net assets released from restrictions, Satisfaction of program restrictions	<u>573,592</u>	<u>(573,592)</u>	<u>-</u>	<u>-</u>
<b>Total Revenue and Support</b>	<b>1,002,443</b>	<b>(73,592)</b>	<b>(125,000)</b>	<b>803,851</b>
Expenses:				
Program services	314,394	-	-	314,394
Supporting services:				
General and administrative	196,493	-	-	196,493
Fundraising	<u>186,473</u>	<u>-</u>	<u>-</u>	<u>186,473</u>
<b>Total Expenses</b>	<b><u>697,360</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>697,360</u></b>
<b>Change in Net Assets</b>	<b>305,083</b>	<b>(73,592)</b>	<b>(125,000)</b>	<b>106,491</b>
Net Assets (Deficit), beginning	<u>(105,830)</u>	<u>1,243,624</u>	<u>135,000</u>	<u>1,272,794</u>
Net Assets, ending	<u>\$ 199,253</u>	<u>\$ 1,170,032</u>	<u>\$ 10,000</u>	<u>\$ 1,379,285</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>308,284</u>	<u>(308,284)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	668,081	(73,578)	135,000	729,503
Expenses:				
Program services	446,228	-	-	446,228
Supporting services:				
General and administrative	123,315	-	-	123,315
Fundraising	<u>165,360</u>	<u>-</u>	<u>-</u>	<u>165,360</u>
Total Expenses	<u>734,903</u>	<u>-</u>	<u>-</u>	<u>734,903</u>
Change in Net Assets	(66,822)	(73,578)	135,000	(5,400)
Net Assets (Deficit), beginning	<u>(39,008)</u>	<u>1,317,202</u>	<u>-</u>	<u>1,278,194</u>
Net Assets (Deficit), ending	<u>\$ (105,830)</u>	<u>\$ 1,243,624</u>	<u>\$ 135,000</u>	<u>\$ 1,272,794</u>

**ACCESS YOUTH ACADEMY**  
**Statement of Functional Expenses**  
Year Ended August 31, 2017

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 145,445	\$ 69,623	\$ 107,566	\$ 322,634
Facility use fees	71,888	-	-	71,888
Special events	-	159	55,724	55,883
Professional fees	5,450	48,577	40	54,067
Payroll taxes	13,208	6,604	8,900	28,712
Loss on disposal	-	24,282	-	24,282
Miscellaneous	13,435	8,271	59	21,765
Building	18,142	-	-	18,142
Health benefits	7,887	3,944	5,315	17,146
Marketing and development	-	7,823	8,570	16,393
Insurance	6,245	9,722	-	15,967
Depreciation	10,064	-	-	10,064
Travel	391	6,732	41	7,164
Squash tournament	6,352	-	-	6,352
Summer camps	6,000	-	-	6,000
SAT prep courses	5,000	-	-	5,000
Supplies	166	4,717	-	4,883
Automobile	3,472	40	-	3,512
Telephone	-	1,824	-	1,824
Postage	39	1,217	258	1,514
Payroll processing fees	-	1,500	-	1,500
Staff development and training	350	685	-	1,035
Printing and copying	437	130	-	567
Board	-	566	-	566
Food and drink	423	77	-	500
<b>Total Operating Expenses</b>	<b>\$ 314,394</b>	<b>\$ 196,493</b>	<b>\$ 186,473</b>	<b>\$ 697,360</b>

**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
Health benefits	-	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	-	-	1,623	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
<b>Total Operating Expenses</b>	<b>\$ 446,228</b>	<b>\$ 123,315</b>	<b>\$ 165,360</b>	<b>\$ 734,903</b>



**ACCESS YOUTH ACADEMY**  
**Statements of Cash Flows**  
Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 106,491	\$ (5,400)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,064	8,292
Permanently restricted contributions	-	(135,000)
Loss on disposal of property and equipment	24,282	-
Changes in operating assets and liabilities:		
Pledges receivable, net	(255,005)	429,285
Prepaid expenses	(18,544)	(1,654)
Accounts payable	50,555	(4,249)
Accrued expenses	6,275	5,733
Deferred revenue	(13,687)	(11,622)
	<u>(89,569)</u>	<u>285,385</u>
Net Cash Provided (Used) by Operating Activities	(89,569)	285,385
Cash Flows Used by Investing Activities:		
Purchases of property and equipment	(370,003)	(13,420)
Cash Flows Provided by Financing Activities:		
Permanently restricted contributions	<u>-</u>	<u>135,000</u>
Net Increase (Decrease) in Cash	(459,572)	406,965
Cash, beginning	<u>1,209,135</u>	<u>802,170</u>
Cash, ending	<u>\$ 749,563</u>	<u>\$ 1,209,135</u>

## **ACCESS YOUTH ACADEMY**

### **Notes to Financial Statements**

Years Ended August 31, 2017 and 2016

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#### **Note 1 – Organization and Summary of Significant Accounting Policies**

##### Nature of Activities

Access Youth Academy (the Organization) 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.

##### 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, 2017 and 2016 as management believes all amounts are collectible. Pledges to be received over a period greater than one 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, 2017 and 2016

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**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 year ended August 31, 2016, the Organization received \$81,100 of in-kind contributions.

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, 2017 and 2016, 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, 2017 and 2016.

**Note 2 – Concentration of Credit Risk**

Revenue

During the years ended August 31, 2017 and 2016, the Organization received approximately 51% of its total grant and contribution revenue from one sources of revenue and 40% of its total grant and contribution revenue from three sources 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, 2017 and 2016

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**Note 3 – Pledges Receivable**

Pledges receivable is summarized as follows:

	2017	2016
Gross pledges receivable	\$ 325,720	\$ 75,000
Imputed discount - 3%	<u>-</u>	<u>(4,285)</u>
	<u>\$ 325,720</u>	<u>\$ 70,715</u>
Pledges receivable due in one year or less	\$ 325,720	\$ 25,000
Pledges receivable due within one to five years	<u>-</u>	<u>45,715</u>
	<u>\$ 325,720</u>	<u>\$ 70,715</u>

**Note 4 – Property and Equipment**

Property and equipment consists of the following:

	2017	2016
Leasehold improvements	\$ -	\$ 35,597
Furnitures and fixtures	6,532	28,781
Vehicles	26,620	26,620
Construction in progress	367,073	8,050
Library	<u>-</u>	<u>600</u>
	400,225	99,648
Less accumulated depreciation	<u>(30,382)</u>	<u>(65,462)</u>
	<u>\$ 369,843</u>	<u>\$ 34,186</u>

**Note 5 – Temporarily Restricted Net Assets**

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

	2017	2016
Capital Campaign	\$ 1,170,032	\$ 1,230,517
Time Restrictions	-	10,000
Program Restrictions	<u>-</u>	<u>3,107</u>
	<u>\$ 1,170,032</u>	<u>\$ 1,243,624</u>

**ACCESS YOUTH ACADEMY**  
**Notes to Financial Statements**  
Years Ended August 31, 2017 and 2016

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**Note 5 – Temporarily Restricted Net Assets, continued**

During the years ended August 31, 2017 and 2016, net assets were released from donor restrictions by incurring expenditures satisfying the restrictions as follows:

	2017	2016
Capital Campaign	\$ 560,485	\$ 169,830
Program Restrictions	13,107	138,454
	<u>\$ 573,592</u>	<u>\$ 308,284</u>

**Note 6 – Permanently Restricted Net Assets**

The endowments were restricted for a scholarship fund. During the fiscal year ended August 31, 2017 one donor revised his gift as restricted for the capital campaign for the construction of a new facility. At August 31, 2017, permanently restricted net assets consist of one donor restricted endowment totaling \$10,000. Subsequently in October 2017, the donor also revised his gift as restricted for the capital campaign for the construction of a new facility.

**Note 7 – Related Party Transactions**

In August 2015, the Organization entered into a one-year lease agreement with Squash Group, LLC dba San Diego Squash which automatically renewed annually. During the year ended August 31, 2017, one of the Board members was a member of Squash Group, LLC for a portion of the year. The Organization paid Squash Group, LLC \$71,888 and \$71,000 in rent for the years ended August 31, 2017 and 2016, respectively. In July 2017, the Organization ended their lease and moved to a new location.

In-kind donation and expense totaling \$73,000 has been recognized as a result of the difference between amounts paid and the fair market value of the facility rent for the year ended August 31, 2016.

**Note 8 – Leases**

In July 2017, the Organization moved their administrative offices to San Diego Innovation Center and entered a lease from August 2017 through January 2020. Monthly lease payments are \$2,333 through June 2018 and increase approximately 4% in August of each year.

The squash and academic programs were moved to the campus of University of California San Diego under a lease agreement with UC Regents. The lease for use of the squash courts and classrooms is calculated monthly based on usage and varies from \$1,000 to \$2,000 per month.

**ACCESS YOUTH ACADEMY**  
**Notes to Financial Statements**  
Years Ended August 31, 2017 and 2016

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**Note 8 – Leases, continued**

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

Year ending August 31,	
2018	\$ 45,411
2019	29,210
2020	12,616
Thereafter	<u>-</u>
	<u>\$ 87,237</u>

**Note 9 – 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.

**Note 10 – 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 \$7,902 and \$7,321 for the years ended August 31, 2017 and 2016, respectively.

**Note 11 – 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 at August 31, 2016.

In addition, deferred revenue also includes advanced payments related to special events. Advanced payments related to special events totaled \$31,811 and \$31,915 at August 31, 2017 and 2016, respectively.

**Note 12 – Subsequent Events**

The Organization is planning to build a new facility for their squash and academic program in Southeast San Diego at a budgeted cost of approximately \$10,000,000. On December 1, 2017, the Organization completed the purchase of vacant land on Euclid Avenue, San Diego for a purchase price of \$714,767. The land was purchased with \$479,123 in cash and \$250,000 in a short-term loan from Civic San Diego Economic Growth and Neighborhood Investment Fund. Construction on the buildings is expected to start in approximately June 2018 and be completed in August 2019.

The Organization is working with lenders to secure approximately \$8,000,000 in loans via a combination of investor loans utilizing New Market Tax Credits. A portion of the loans will be forgivable after a period of seven years providing all conditions are met.