

**YOUNG EISNER SCHOLARS
(dba YES)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED AUGUST 31, 2019

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
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AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Young Eisner Scholars (dba 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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, Young Eisner Scholars has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We previously audited Young Eisner Scholars' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, 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.

Vossin, Hryn + Co.

Calabasas, California
April 30, 2020

YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 243,124	\$ 195,379
Promises to give, net of allowance	1,040,558	1,211,877
Student loans receivable	18,702	-
Investments	2,549,785	2,346,304
Deposits and prepaid expenses	94,080	50,551
Property and equipment, net	<u>27,556</u>	<u>35,429</u>
 Total assets	 <u>\$ 3,973,805</u>	 <u>\$ 3,839,540</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 115,555	\$ 17,630
Accrued payroll and related liabilities	<u>5,392</u>	<u>44,160</u>
 Total liabilities	 120,947	 61,790
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Without donor restrictions	3,197,561	2,918,176
With donor restrictions	<u>655,297</u>	<u>859,574</u>
 Total net assets	 <u>3,852,858</u>	 <u>3,777,750</u>
 Total liabilities and net assets	 <u>\$ 3,973,805</u>	 <u>\$ 3,839,540</u>

See accompanying auditors' report and notes to financial statements

**YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants	\$ 1,209,668	\$ 671,570	\$ 1,881,238	\$ 1,450,596
Fundraising events	-	-	-	330,166
In-kind contributions	56,460	-	56,460	56,460
Interest income	82,851	-	82,851	307
Realized gain(loss) on investments	248	-	248	(213)
Unrealized gain(loss) on investments	126,541	-	126,541	(4,263)
Restrictions released	875,847	(875,847)	-	-
Total revenue, support and restrictions released	2,351,615	(204,277)	2,147,338	1,833,053
EXPENSES				
Program services	1,591,953	-	1,591,953	1,703,431
Support services	359,685	-	359,685	134,290
Fundraising expenses	120,592	-	120,592	86,738
Total expenses	2,072,230	-	2,072,230	1,924,459
CHANGE IN NET ASSETS	279,385	(204,277)	75,108	(91,406)
NET ASSETS - beginning of year	2,918,176	859,574	3,777,750	3,869,156
NET ASSETS - end of year	\$ 3,197,561	\$ 655,297	\$ 3,852,858	\$ 3,777,750

See accompanying auditors' report and notes to financial statements

**YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services	Support Services	Fund- raising	2019 Total Expenses	2018 Total Expenses
Salaries and related expenses					
Salaries	\$ 738,233	\$ 72,435	\$ 70,576	\$ 881,244	\$ 751,328
Payroll taxes	50,019	6,239	5,189	61,447	54,396
Employee benefits	39,511	54,995	381	94,887	91,587
	<u>827,763</u>	<u>133,669</u>	<u>76,146</u>	<u>1,037,578</u>	<u>897,311</u>
Other Expenses					
Student tuition	272,085	1,015	-	273,100	293,965
Student support, Summer programs	146,443	172	-	146,615	5,667
Field trips and events	-	-	-	-	16,213
Student housing	40,591	-	-	40,591	44,814
Student support, medical	10,265	-	35	10,300	11,750
Student support, travel	62,250	553	-	62,803	96,679
Testing and application fee	30,087	56	-	30,143	39,715
Student test prep fees and dues	804	-	-	804	18,125
Student support, financial aid	-	-	-	-	2,768
Stipends	4,042	-	-	4,042	-
Volunteer	134	-	37	171	9,216
Special event - supplies	-	-	-	-	22,033
Public relations	2,859	-	3	2,862	-
Travel	96,198	10,576	3,537	110,311	59,789
Auto expense	502	1,877	-	2,379	5,906
Conferences and meetings	3,387	722	224	4,333	13,842
Meals	-	-	-	-	3,854
Education and training	8,964	-	-	8,964	55,708
Professional fees	-	132,030	1,974	134,004	80,504
Outside services	5,815	2,379	7,896	16,090	5,551
Office expenses	-	4,820	-	4,820	7,673
Supplies	7,148	5,693	4,384	17,225	20,933
Equipment rental and maintenance	159	2,647	13	2,819	1,754
Small equipment	-	891	-	891	13,406
Computer expenses	-	-	-	-	2,988
Website expense	-	6,084	-	6,084	-
Postage and delivery	228	1,614	19	1,861	635
Printing	50	829	62	941	2,501
Telephone	7,447	1,624	16	9,087	6,531
Rent and utilities	3,500	6,000	-	9,500	2,075
Taxes and licenses	-	1,141	-	1,141	463
Insurance	1,208	13,057	-	14,265	13,576
Bank fees	-	1,314	750	2,064	4,262
Dues and subscriptions	3,616	3,297	330	7,243	7,724
Licenses and permits	-	150	-	150	-
In-kind, facilities	51,755	4,705	-	56,460	56,460
Depreciation	-	7,873	-	7,873	9,818
Miscellaneous expense	4,653	11,647	166	16,466	-
Unmet promises to give	-	3,250	25,000	28,250	90,250
Total expenses	<u>\$ 1,591,953</u>	<u>\$ 359,685</u>	<u>\$ 120,592</u>	<u>\$ 2,072,230</u>	<u>\$ 1,924,459</u>

See accompanying auditors' report and notes to financial statements

**YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 75,108	\$ (91,406)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	7,873	9,818
Unmet promises to give, receivable	28,250	90,250
Donated stock	(10,161)	(33,261)
Realized & unrealized (gain)loss on investments, net	(126,789)	4,476
(Increase) decrease in:		
Promises to give, net of allowance	143,069	35,122
Accounts receivable	-	(228,500)
Student loans receivable	(18,702)	-
Deposits and prepaid expenses	(43,529)	(684)
Increase (decrease) in:		
Accounts payable and accrued expenses	97,925	4,560
Accrued payroll and related liabilities	<u>(38,768)</u>	<u>37,715</u>
Total adjustments	<u>39,168</u>	<u>(80,504)</u>
Net Cash Provided (Used) by Operating Activities	114,276	(171,910)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	16,249	16,973
Dividends from investments reinvested	<u>(82,780)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	(66,531)	16,973
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of property and equipment with donor funds	<u>-</u>	<u>(39,365)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(39,365)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,745	(194,302)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>195,379</u>	<u>389,681</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 243,124</u>	<u>\$ 195,379</u>
Supplementary Disclosures:		
In-kind contributions	<u>\$ 56,460</u>	<u>\$ 56,460</u>

See accompanying auditors' report and notes to financial statements

YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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.

Dedicated to promoting America's promise of equal opportunity for equal talent, Young Eisner Scholars identifies promising young students from low-income communities and equips them with the resources, support, and skills required for success through high school, college, and career. From neighborhoods where more than 50% of high school students drop out of school and fewer than 10% of adults have a college degree, 100% of Young Eisner Scholars scholars are accepted to four-year colleges. More importantly, 93% of these scholars graduate. Our results are a testament to the success of Young Eisner Scholars long-term, individualized, holistic support services - beginning in middle school and continuing through career placement.

Young Eisner Scholars programs meet the academic, socioemotional, and cultural needs of our scholars at every milestone along their journey. Middle schoolers participate in weekly sessions focused on a rigorous math and logic curriculum designed to improve critical thinking, literacy, and self-expression. They participate in robust summer programming, designed to build cultural capital and prevent academic summer backslide. The High School Program builds on the skills acquired in middle school, but offers a more individualized approach to student success: connections to summer programs, academic tutoring, internship opportunities, mentoring, topical workshops, social-emotional wellness, and individualized support through the college admissions process. Young Eisner Scholars' holistic support continues through the college years. Tuition support and supplemental costs account for Young Eisner Scholars' biggest budget line - providing resources to cover aid gaps for tuition, housing, books, clothes, mental health & medical needs, life supplies, and travel. Young Eisner Scholars offers academic advising and maintains regular contact to ensure scholars have a strong support network. Young Eisner Scholars helps scholars become competitive candidates for the workforce by facilitating and funding summer programs and opportunities, including study abroad and professional internships.

Originating in Los Angeles, Young Eisner Scholars serves scholars from 30 zip codes across greater Los Angeles County: from East L.A., Boyle Heights, and MacArthur Park to Watts, Inglewood, and South LA. Young Eisner Scholars has expanded nationwide to include cohorts in New York City (serving Central Harlem & South Bronx), Chicago (serving the South Side), and rural Appalachian North Carolina. Young Eisner Scholars scholars are attending the most competitive high schools, colleges, and graduate programs (including Harvard, Yale, and Stanford) across the nation and excelling in profitable careers spanning every field - from medicine, law, and media to finance and engineering). As more and more students use Young Eisner Scholars as a springboard to a better life, they serve as role models for a new generation and revitalize their home neighborhoods. Young Eisner Scholars currently serves over 700 students and is growing at a rate of 45-60 new students each year.

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.

YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

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

- *Net Assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets without donor restrictions are the broad limits resulting for the nature of the organization, 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.
- *Net Assets with donor restrictions.* Net assets with donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions 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.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Promises to Give, Net of Allowance

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. The allowance for doubtful accounts balance at August 31, 2019 was \$61,000.

Student Loans Receivable

Young Eisner Scholar extends credits to students based on grades and needs. These Student loans range from \$1,000 to \$5,000 and are interest free with no collateral requirements. These loans are short term and are due within one year when the school year ends. Some of the loans are eligible for renewal. Due to the low past due rate with these loans, they are reviewed annually and allowance for doubtful accounts is established to account any potential uncollectable loan amounts.

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 (including investments brought, sold, and held during the year) are included in the statement of activities as gain (loss) on investments.

Deposits and Prepaid Expenses

Prepaid expenses and deposits consist of school tuitions, tutors, and insurance expenses and are expensed ratably over their respective terms of agreement.

**YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment, Net

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.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions, 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 net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-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. Contributions of stock are sold when received and recorded based on value received.

YOUNG EISNER SCHOLARS
(dba YES)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019, 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; 2018, 2017, and 2016, 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 based on total salary expense or on the time and effort of employees.

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
(dba YES)
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

Revenues received are mostly contributions and grants from foundations, corporations or individuals as well proceeds from fundraising events. These revenues are recorded as received with contributions and grants classified based on the existence and/or nature of any donor-imposed restrictions. Fundraising revenues received in prior year before the event date are recorded as deferred revenues.

Recent Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments in this ASU have been applied by Young Eisner Scholars on a retrospective basis in fiscal year 2019.

**YOUNG EISNER SCHOLARS
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

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, and promises to give 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
(dba YES)
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019**

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 2018 comparative totals have been reclassified to conform with the 2019 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, 2018, 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, 2019 are as follows:

Receivable in less than one year	\$ 460,000
Receivable in one to five years	650,000
Receivable in more than five years	<u>110,000</u>
Total Promises to Give	1,220,000
Less unamortized discount at 5%	(118,442)
Less 5% allowance	<u>(61,000)</u>
Net Promises to Give	<u>\$ 1,040,558</u>

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

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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, 2019 are Level 1 inputs.

Investments consist of the following at August 31, 2019 and are measured at fair value:

	<u>Total</u>	<u>Level 1</u>
Mutual Funds	\$ 599,696	\$ 599,696
Stocks	<u>1,950,089</u>	<u>1,950,089</u>
Total investments	<u>\$ 2,549,785</u>	<u>\$ 2,549,785</u>

At August 31, 2019, 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, 2019 is as follows:

Interest and dividends earned	\$ 82,851
Realized gain(loss) on investments	248
Unrealized gain(loss) on investments	<u>126,541</u>
Total investment return	<u>\$ 209,640</u>

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5. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at August 31, 2019:

Leasehold Improvements	\$ 8,655
Vehicles	<u>74,660</u>
	83,315
Less: Accumulated Depreciation	<u>(55,759)</u>
Property and Equipment, net	<u>\$ 27,556</u>

Total depreciation expense for the year ended August 31, 2019 was \$7,873.

6. COMMITMENTS

Young Eisner Scholars has entered into equipment lease agreement with Ricoh expiring July 30, 2023. Future minimum rental payments under non-cancelable leases are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 1,572
2021	1,572
2022	1,572
2023	<u>1,441</u>
Total	<u>\$ 6,157</u>

Total equipment rental expense, for the year ended August 31, 2019, amounted to \$2,819.

Young Eisner Scholars entered into an office lease in Chicago with expiration date of March 15, 2023. This lease was terminated in June 2019 due to the landlord filing for bankruptcy. However, Young Eisner Scholars was informed of the bankruptcy on January 6, 2020 after payment of \$3,500 had already been made. The amount paid was written off in January 2020.

7. IN-KIND CONTRIBUTIONS

For the year ended August 31, 2019, Young Eisner Scholars recorded total in-kind contributions of \$56,460.

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

Donated facilities - Lennox location	\$ 12,000
Donated facilities - Downtown office	<u>44,460</u>
Total in-kind contributions	<u>\$ 56,460</u>

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(CONTINUED)

8. NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions for the year ended are as follows:

	<u>August 31, 2019</u>
Scholarship	\$ 488,570
Student Activities	183,000
Van Purchase	<u>-</u>
Total	<u>\$ 671,570</u>

Net assets released from donor restrictions for the year ended are as follows:

	<u>August 31, 2019</u>
Satisfaction of scholarship restrictions	\$ (790,371)
Satisfaction of student activities restrictions	(85,476)
Satisfaction of other programs	<u>(-)</u>
Total	<u>\$ (875,847)</u>

9. LIQUIDITY AND FUNDS AVAILABLE

Young Eisner Scholars regularly monitors liquidity required to its operating obligations and contractual commitments, while also striving to maximize the investment of its available funds. In addition to existing financial assets available to meet general expenditures within one year, Young Eisner Scholars receives ongoing contributions, unrestricted and restricted for programs, where such funds are used for operations and specific programs.

As of August 31, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet its operational cash flow needs:

Cash and cash equivalents	\$ 243,124
Promises to give, net of allowance	1,040,558
Investments	<u>2,549,785</u>
Total financial assets	3,833,467
Less: Donor-imposed restrictions:	
Designated Funds (formerly temporarily Restricted)	(655,297)
Pledges over one year	<u>(760,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,418,170</u>

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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, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through April 30, 2020, 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.

Due to Covid-19 in mid-March 2020, Young Eisner Scholars' staff are all operating safe and remotely and continuing the work of Young Eisner Scholars. Young Eisner Scholars has adjusted its programming and support services to accommodate the current situation. Further, Young Eisner Scholars has postponed its annual fundraising event until the last quarter of 2020. Even though recent events have impacted Young Eisner Scholars' operations and financial outlook, Young Eisner Scholars' management and the Board believe the organization will be able to continue its valuable work and mission. There are no subsequent events that require recognition or additional disclosure in the financial statements.