

YouthFriends

Accountants' Report and Financial Statements

December 31, 2007



YouthFriends
December 31, 2007

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Independent Accountants' Report on Financial Statements

Board of Directors
YouthFriends
Kansas City, Missouri

We have audited the accompanying statement of financial position of YouthFriends (Type I – supporting organization of the Greater Kansas City Community Foundation) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YouthFriends as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BKO, LLP

Kansas City, Missouri
August 25, 2008

YouthFriends
Statement of Financial Position
December 31, 2007

Assets

Current Assets

Cash and cash equivalents	\$ 2,329,671
Accounts receivable	105,058
Investments	454,980
Contributions receivable	17,500
Prepaid expenses	<u>2,646</u>

Total current assets 2,909,855

Property and Equipment, net 1,282,465

Other Assets 6,210

\$ 4,198,530

Liabilities and Net Assets

Current Liabilities

Accounts and grants payable	\$ 123,550
Accrued expenses	35,043
Deferred revenue	<u>1,678,200</u>

Total current liabilities 1,836,793

Net Assets

Unrestricted net assets	2,111,737
Temporarily restricted net assets	<u>250,000</u>

Total net assets 2,361,737

Total liabilities and net assets \$ 4,198,530

YouthFriends
Statement of Activities
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions and grants	\$ 483,559	\$ 2,244,218	\$ 2,727,777
Program services revenues	217,315	-	217,315
Conference income and fees	68,645	-	68,645
Contributions in-kind	898,232	-	898,232
Investment income	182,612	-	182,612
Released from restrictions	2,169,141	(2,169,141)	-
	<u>4,019,504</u>	<u>75,077</u>	<u>4,094,581</u>
Expenses			
Program services	2,287,956	-	2,287,956
Management and general	229,117	-	229,117
Fundraising	107,413	-	107,413
	<u>2,624,486</u>	<u>-</u>	<u>2,624,486</u>
Change in Net Assets	1,395,018	75,077	1,470,095
Net Assets, Beginning of Year	<u>716,719</u>	<u>174,923</u>	<u>891,642</u>
Net Assets, End of Year	<u>\$ 2,111,737</u>	<u>\$ 250,000</u>	<u>\$ 2,361,737</u>

YouthFriends
Statement of Cash Flows
Year Ended December 31, 2007

Operating Activities	
Change in net assets	\$ 1,470,095
Items not requiring (providing) operating activities cash flows	
Depreciation	329,160
Net realized and unrealized gains on investments	(157,030)
Gift in-kind of software	(898,232)
Changes in	
Accounts and contributions receivable	(8,614)
Accounts payable and accrued expenses	148,857
Deferred revenue	1,678,200
Other assets	<u>1,115</u>
Net cash provided by operating activities	<u>2,563,551</u>
Investing Activities	
Purchase of property and equipment	(411,456)
Purchase of investments	(328,122)
Proceeds from the sale of investments	<u>377,853</u>
Net cash used in investing activities	<u>(361,725)</u>
Change in Cash and Cash Equivalents	2,201,826
Cash and Cash Equivalents, Beginning of Year	<u>127,845</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,329,671</u></u>

YouthFriends

Notes to Financial Statements

December 31, 2007

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

YouthFriends (the “Organization”) is a not-for-profit organization whose mission and principal activities are to partner with school districts; connect young people with adult volunteers in schools. The Organization’s revenues and other support are derived principally from sources such as: foundations, private corporations, individuals and federal grants and its activities are conducted principally in the Greater Kansas City area and throughout the state of Kansas.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2007, cash equivalents consisted primarily of money market funds. At December 31, 2007, the Organization’s cash accounts exceeded federally insured limits by approximately \$1,630,000. Management is constantly evaluating the financial stability of those institutions and believes the risk of loss is minimal.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

YouthFriends

Notes to Financial Statements

December 31, 2007

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

Accounts receivable are stated at the amounts billed to customers, plus any accrued and unpaid interest. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1% per month. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

YouthFriends
Notes to Financial Statements
December 31, 2007

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of equipment from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year ended December 31, 2007, \$898,232 was received in in-kind contributions.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis (*see Note 9*).

Note 2: Grant Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2007, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2007:

Grant	Term	Grant Amount	Earned as of December 31, 2007	Funding Available
Ewing Marion Kauffman Foundation Grant	3 years	\$ 5,395,000	\$ 2,058,500*	\$ 3,336,500
Hall Family Foundation Grant	3 years	\$ 500,000	\$ 250,000	\$ 250,000

* \$194,282 earned as of December 31, 2006

YouthFriends
Notes to Financial Statements
December 31, 2007

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

Equity securities	\$ 35,502
Index funds	83,038
Mutual funds	<u>336,440</u>
	<u>\$ 454,980</u>

Total investment return is comprised of the following:

Interest and dividend income	\$ 25,582
Net realized and unrealized gains on investments	<u>157,030</u>
	<u>\$ 182,612</u>

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

Furniture and equipment	\$ 1,352,864
Leasehold improvements	<u>285,232</u>
	1,638,096
Less accumulated depreciation	<u>355,631</u>
	<u>\$ 1,282,465</u>

Note 5: Net Assets

Temporarily Restricted Net Assets

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

Hall Family Foundation Grant	<u>\$ 250,000</u>
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YouthFriends
Notes to Financial Statements
December 31, 2007

Net Assets Released from Restrictions

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors. These amounts released are as follows:

Expenses incurred on behalf of	
Ewing Marion Kauffman Foundation Grant	\$ 1,864,218
Change the Math - United Way Grant	130,000
Department of Justice Grant	114,069
Hall Family Foundation Grant	30,602
State of Kansas Grant - Kansas Mentors	<u>30,252</u>
	<u><u>\$ 2,169,141</u></u>

Note 6: Related Party Transactions

The Organization and the Greater Kansas City Community Foundation (Foundation) are related parties whereas the Organization is a Type I supporting organization of the Foundation. The Organization authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the Organization.

Note 7: Operating Leases

Noncancellable operating leases for office space and equipment expire in various years through 2011.

Future minimum lease payments at December 31, were:

2008	\$ 107,895
2009	81,645
2010	76,395
2011	72,366

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Notes to Financial Statements
December 31, 2007

Note 8: Employee Benefit Plan

YouthFriends participates in The Greater Kansas City Community Foundation's defined contribution plan. All full-time employees and part-time employees are eligible to participate upon reaching age twenty-one and completion of three months of service. YouthFriends contributes an amount to the participant's account equal to 10% of the participant's salary, subject to certain limitations. During the year ended December 31, 2007, the Organization's contributions to the Plan amounted to approximately \$243,000.

Note 9: Functional Expenses

The allocation of expenses for the year ended December 31, 2007, are as follows:

	Program Services	Management & General	Fundraising	Total
Salaries, wages and benefits	\$ 1,005,126	\$ 129,301	\$ 58,773	\$ 1,193,200
Governance	12,901	4,121	1,376	18,398
Consultants	168,327	30,111	4,061	202,499
Initiative development	26,262	503	229	26,994
Fundraising	929	-	3,716	4,645
Technology and equipment	154,161	1,199	544	155,904
Office expenses	138,798	25,300	7,742	171,840
Recruitment and marketing	181,880	-	1,735	183,615
Screening	27,343	-	-	27,343
Training	76,072	1,271	578	77,921
Volunteer programs	38,772	-	-	38,772
Via expense	4,902	-	104	5,006
MentorMap	813	-	90	903
National training institute	3,822	-	425	4,247
National conference	101,776	-	11,308	113,084
YouthFriends Kansas screening	12,955	-	-	12,955
District expenditures	57,500	-	-	57,500
Depreciation	275,617	36,811	16,732	329,160
Grants and scholarships	-	500	-	500
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 2,287,956</u>	<u>\$ 229,117</u>	<u>\$ 107,413</u>	<u>\$ 2,624,486</u>

YouthFriends
Notes to Financial Statements
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Note 10: *Significant Estimates and Concentrations*

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contribution and Grant Revenues

Approximately 51% of all contributions and grant revenue was related to one grantor in 2007.

Litigation

The Organization is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.