

Reviewed Financial Statements



September 30, 2017

Quigley & Miron

Youth Science Institute
Reviewed Financial Statements
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Independent Accountant's Review Report

Board of Directors
Youth Science Institute
Los Gatos, California

We have reviewed the accompanying statement of financial position of Youth Science Institute, a nonprofit corporation, which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

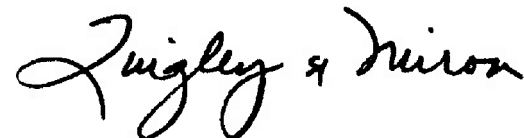
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Campbell, California
July 10, 2018

Youth Science Institute
Statement of Financial Position
September 30, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 168,892	\$ 133,631
Investments—Note 3	17,395	65,570
Accounts receivable	12,288	5,050
Contributions and contracts receivable—Note 5	125,200	53,898
Prepaid expenses	11,090	21,100
Property and equipment, net—Note 6	903,799	951,885
Buildings and land lease—Note 7	335,093	
Collections—Note 2		
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,573,757</u>	<u>\$ 1,231,134</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 10,654	\$ 19,684
Accrued liabilities—Note 8	22,967	21,925
Deferred revenue	10,946	8,188
	<u> </u>	<u> </u>
Total Liabilities	44,567	49,797
 Net Assets		
Unrestricted	982,850	979,210
Temporarily restricted—Note 9	533,300	189,087
Permanently restricted—Note 11	13,040	13,040
	<u> </u>	<u> </u>
Total Net Assets	<u>1,529,190</u>	<u>1,181,337</u>
Total Liabilities and Net Assets	<u>\$ 1,573,757</u>	<u>\$ 1,231,134</u>

See independent accountant's review report and notes to the financial statements.

Youth Science Institute
 Statement of Activities
 Year Ended September 30, 2017
 (with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and Revenue					
Program fees	\$ 491,454	\$	\$	\$ 491,454	\$ 466,920
Grants and contributions	76,302	173,353		249,655	329,086
Contributions in-kind—Note 12	83,742	376,084		459,826	218,660
Government grants and contracts	62,500			62,500	50,000
Admissions	1,039			1,039	3,729
Other income	3,054			3,054	3,257
Interest and dividends—Note 3	379	397		776	1,989
Realized and unrealized change in investments—Note 3	(139)	1,814		1,675	1,704
Total Support and Revenue Before Reclassifications	718,331	551,648		1,269,979	1,075,345
Reclassifications					
Net assets released from restrictions—Note 10	207,435	(207,435)			
Total Support and Revenue After Reclassifications	925,766	344,213		1,269,979	1,075,345
Expenses					
Program services	682,639			682,639	881,619
Management and general	187,248			187,248	302,367
Fundraising	52,239			52,239	123,188
Total Expenses	922,126			922,126	1,307,174
Change in Net Assets	3,640	344,213		347,853	(231,829)
Net Assets at Beginning of Year	979,210	189,087	13,040	1,181,337	1,413,166
Net Assets at End of Year	\$ 982,850	\$ 533,300	\$ 13,040	\$ 1,529,190	\$ 1,181,337

See independent accountant's review report and notes to the financial statements.

Youth Science Institute
Statement of Functional Expenses
Year Ended September 30, 2017
(with comparative totals for 2016)

	Program Services	Supporting Services		2017 Total	2016 Total
		General and Administrative	Fundraising		
Salaries	310,876	67,105	40,139	\$ 418,120	\$ 628,537
Employee benefits	42,972	4,767	3,057	50,796	76,596
Payroll taxes	26,267	5,379	3,512	35,158	60,148
Total Payroll, Taxes, and Benefits	380,115	77,251	46,708	504,074	765,281
Rent	115,350	1,837	497	117,684	208,350
Professional services	6,055	62,125	1,861	70,041	106,528
Depreciation	47,005		1,081	48,086	49,364
Advertising	2,648	25,868		28,516	28,587
Computer, internet, and telephone	19,683	2,639	181	22,503	21,912
Utilities	20,249	391	106	20,746	14,800
Bank fees and payroll processing	15,985	2,351	150	18,486	14,852
Repairs, maintenance, and small equipment	15,405	529	116	16,050	16,921
Insurance	10,098	4,065	126	14,289	15,847
Miscellaneous	9,138	2,649	341	12,128	6,194
Supplies	9,803	1,863	180	11,846	15,617
Animal care	7,971			7,971	7,839
Travel	6,844	799	59	7,702	10,758
Site improvements	6,927	351	85	7,363	2,487
Outside services	3,778	3,140	18	6,936	11,643
Printing	3,475	281	44	3,800	8,428
Postage and shipping	722	655	586	1,963	961
Dues and subscriptions	1,388	454	100	1,942	805
Total Expenses	\$ 682,639	\$ 187,248	\$ 52,239	\$ 922,126	\$ 1,307,174

See independent accountant's review report and notes to the financial statements.

Youth Science Institute
Statement of Cash Flows
Year Ended September 30, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 347,853	\$ (231,829)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	48,086	49,364
In-kind building and land leases	(376,084)	
Net realized and unrealized change in investments	(1,825)	(2,075)
Changes in operating assets and liabilities:		
Accounts receivable	(7,238)	(3,475)
Contributions and contracts receivable	(71,302)	(53,258)
Prepaid expenses	10,010	(11,770)
Building and land leases	40,991	
Accounts payable	(9,030)	5,389
Accrued liabilities	1,042	2,534
Deferred revenue	2,758	(14,770)
Cash Used in Operating Activities	(14,739)	(259,890)
Cash Flows from Investing Activities		
Proceeds from sale of investments	50,000	149,939
Purchases of investments		(100,728)
Cash Provided by Investing Activities	50,000	49,211
Net Increase (Decrease) in Cash	35,261	(210,679)
Cash and Cash Equivalents at Beginning of Year	133,631	344,310
Cash and Cash Equivalents at End of Year	\$ <u>168,892</u>	\$ <u>133,631</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

**Youth Science Institute
Notes to Financial Statements
September 30, 2017
(with comparative totals for 2016)**

Note 1—Organization

Organization—The mission of Youth Science Institute (YSI) is to “inspire enthusiasm for science and a love of learning” in people of all ages. YSI’s core programs are School and Group Programs, Summer Science Camps, and Science Safaris, teaching hands-on, nature-based science to nearly 30,000 individuals per year. The vast majority of the individuals YSI teaches are schoolchildren (K-6) who are introduced to YSI through its School and Group Programs. YSI is committed to ensuring these programs are available to low-income, academically at-risk, and underserved populations.

Early childhood science education is important, but most public schools face obstacles to include it in their curriculum. Many public-school teachers do not have the time, science background, instructional materials, or facilities to teach science, yet studies show that early exposure of children to STEM (Science, Technology, Engineering, and Math) subjects is critical to sparking a life-long interest in STEM. The need to enhance science education through out-of-school providers like YSI is underscored by a study of Bay Area elementary schools revealing 80% of K-5 teachers spend 60 minutes or less per week on science, and 16% spend no time at all on science. Without supplemental science education from out-of-school providers like YSI, many Silicon Valley students would not have a complete grade-level science curriculum.

YSI maintains three Science and Nature Centers delivering hands-on, nature-based science programs: Alum Rock Park, San Jose; Sanborn County Park, Saratoga; and Vasona Lake County Park, Los Gatos. Each Science and Nature Center has specialized and unique artifacts, collections, and resources that connect children with nature while teaching science. If teachers cannot bring their students to YSI, YSI brings their programs to them. YSI’s inquiry-based, life, physical, earth, and social science programs enrich traditional school-based curricula by providing authentic engagement. For example, rather than learning about the Ohlone Indians by reading about them in a book, the YSI program immerses children in the Ohlone Indians’ way of life, culture, customs, history, and the environment in which they lived.

YSI’s experiential, hands-on, park-based programs spark interest and engagement in a way that no other learning opportunity can: half of its programs feature a nature walk and/or a hands-on encounter with its collection of live animals. For example, in YSI’s Animals and Their Adaptations program, children get a unique hands-on experience with live animals – from toads, newts, snakes, and turtles, to bearded dragons and chinchillas.

YSI believes, as Margaret Mead said, “Children must be taught how to think, not what to think.” As such, YSI encourages children to be active participants in their own learning. The hands-on nature of YSI programs helps children see that science is fun and exciting, and has real world applications. When children see the relevance of science, learning becomes more meaningful and memorable. YSI’s goals are to encourage the development of 21st century skills such as critical thinking, problem solving, creativity, communication, and teamwork that are necessary for academic and, ultimately, economic success.

Youth Science Institute
Notes to Financial Statements—Continued

Note 1—Organization—Continued

Whether delivered indoors or outdoors, YSI programs help to connect children with the wonders of nature through the principles of the scientific process. Children learn cause and effect, and that each decision has an impact. YSI nature-based programs help children understand John Muir's wisdom: "When we tug at a single thing in nature, we find it is attached to the rest of the world." This understanding helps children develop skills for making good stewardship choices for local environments and the planet.

During the fiscal year ended September 30, 2017, YSI delivered 998 hands-on School and Group Programs to 23,626 K-8 public school students children, 11% of whom were from low-income, Title I-eligible schools (based on the percent of students eligible for free and reduced-price meals). Of the programs offered during the year, 98 were provided for free to low-income, Title I-eligible schools. YSI filled 848 seats in its Summer Science Camps (representing 629 individual children), and 10 low-income children attended for free. YSI also served 105 individuals through its Science Safaris.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets of YSI and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of YSI.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of YSI and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit YSI to use all or part of the income earned on related investments for general or specific purposes. It is the policy of YSI to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Income Taxes—YSI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at September 30, 2017 and 2016. Generally, YSI's information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Youth Science Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Cash and Cash Equivalents—YSI considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Furniture and Equipment—Depreciable assets are recorded at historical cost or fair market value at date of donation and are depreciated using the straight-line method over their useful lives, ranging from three to seven years. It is YSI's policy to expense items under \$500.

Collections—YSI has a collection of animal skins and mounts, bird mounts, rocks and other geographical artifacts, Native American artifacts, and other nature-based teaching materials of value, that have been donated or purchased by YSI since 1953. A portion of the overall collection is on display at YSI's three Science and Nature Centers. A significant portion is in storage due to lack of display space. YSI does not currently have a staff curator; care and inventory of the collection is managed by staff on an as-needed basis. Contributions or purchases of items for the collection are not reflected in the accompanying statements of financial position since YSI does not capitalize collections.

Deferred Revenue—Deferred revenue consists primarily of funds received for program fees in advance of an upcoming event. YSI records these transactions as deferred revenue until the event occurs.

Concentrations of Credit Risk—YSI maintains cash balances with various high quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of loss due to these concentrations to be minimal.

Grants and Contributions—Contributions are reported as support revenue in the period received and as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities.

Government Grants and Contracts—Revenues from government grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred or the fulfillment of grant restrictions. The amounts expended in excess of reimbursements are reported as grants receivable.

Functional Expenses—YSI allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various appropriate methods.

Advertising—YSI's policy is to expense advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2017 and 2016 were \$28,516 and \$28,587, respectively.

Youth Science Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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

Comparative Totals for 2016—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with YSI's reviewed financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Reclassifications—Certain amounts in 2016 have been reclassified to conform with the 2017 financial presentation.

Note 3—Investments

Investments consist of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equity securities	\$ 11,327	\$ 10,169
Mutual funds	6,068	5,413
Certificates of deposit		49,988
Totals	\$ 17,395	\$ 65,570

Investments are classified as follows as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted investments	\$	\$ 38,287
Temporarily restricted investments	4,355	14,243
Permanently restricted investments	13,040	13,040
Totals	\$ 17,395	\$ 65,570

Youth Science Institute
Notes to Financial Statements—Continued

Note 3—Investments—Continued

Net investment income is comprised of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Net realized and unrealized change in investments	\$ 1,825	\$ 2,075
Interest and dividends	776	1,989
Investment management fees	(150)	(371)
Net	<u>\$ 2,451</u>	<u>\$ 3,693</u>

Note 4—Fair Value

Accounting standards have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date. YSI's Level 1 assets consist of equity securities and mutual funds.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data. YSI's had no Level 2 assets or liabilities at September 30, 2017 and 2016.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. YSI's had no Level 3 assets or liabilities at September 30, 2017 and 2016.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Fair values of assets and liabilities measured on a recurring basis at September 30, 2017 and 2016 consist of investments with a fair value of \$17,395 and \$65,570, respectively, which are considered Level 1 assets.

Note 5—Contributions and Contracts Receivable

Pledges and contracts receivable at September 30, 2017 and 2016 consist of receivables from foundations, individual donations, and the County of Santa Clara due within a year, totaling \$125,200 and \$53,898, respectively.

Youth Science Institute
Notes to Financial Statements—Continued

Note 6—Property and Equipment, Net

Property and equipment, net at September 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 1,602,309	\$ 1,602,309
Furniture and fixtures	236,137	236,137
Equipment and machinery	64,457	64,457
	<u>1,902,903</u>	<u>1,902,903</u>
Less accumulated depreciation	(999,104)	(951,018)
Net	<u>\$ 903,799</u>	<u>\$ 951,885</u>

Total depreciation expense recorded for the years ended September 30, 2017 and 2016 was \$48,086 and \$49,364, respectively.

Note 7—Buildings and Land Lease

In August 2017, YSI entered into a new 65-month lease agreement (Lease) with the County of Santa Clara for the use of its properties at Vasona Lake County Park and Sanborn County Park. YSI recorded the present value of the buildings and land rent of \$376,084 as buildings and land lease on the statement of financial position, as well as a corresponding temporarily restricted contribution as contributions in-kind, on the statement of activities for the year ended September 30, 2017. The present value of the lease as of September 30, 2017 was \$335,093, based upon rental expense of \$79,401 and a discount rate of 5%.

Future anticipated amortization of the buildings and land lease is as follows:

<u>Year Ending September 30,</u>	
2018	\$ 64,102
2019	67,381
2020	70,829
2021	74,452
2022	<u>58,329</u>
Total	<u>\$ 335,093</u>

Youth Science Institute
Notes to Financial Statements—Continued

Note 8—Accrued Liabilities

Accrued liabilities at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Accrued vacation	\$ 19,166	\$ 16,367
Accrued payroll	3,801	5,558
Totals	<u>\$ 22,967</u>	<u>\$ 21,925</u>

Note 9—Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Building and land leases	\$ 364,142	\$
Future period general support	100,000	50,000
Fiscal year operating support	48,015	45,000
Endowment accumulated earnings—unappropriated	13,223	14,243
Small equipment	4,575	4,075
School programs	3,345	36,185
Wildlife Festival		29,584
Summer science camp		10,000
Totals	<u>\$ 533,300</u>	<u>\$ 189,087</u>

Note 10—Net Assets Released from Restrictions

During the years ended September 30, 2017 and 2016, net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2017</u>	<u>2016</u>
School programs	\$ 56,407	\$ 200,394
Future period general support	50,000	100,000
Fiscal year operating support	34,499	9,241
Events	29,864	9,879
Building and land leases	11,942	
Small equipment	9,500	13,005
Summer science camp	6,512	12,125
Organizational development	3,500	10,000
Care and feeding of animals	1,980	
Other	3,231	
Totals	<u>\$ 207,435</u>	<u>\$ 354,644</u>

Youth Science Institute
Notes to Financial Statements—Continued

Note 11—Permanently Restricted Net Assets

YSI's endowment consists of funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of YSI has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, YSI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by YSI in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA.

In accordance with UPMIFA, YSI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the YSI and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of YSI
- 7) The investment policies of YSI

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the permanently restricted net assets balance. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are required to be reported in unrestricted net assets. There were no such deficiencies as of September 30, 2017 and 2016.

Return Objectives, Risk Parameters and Strategies—YSI's investment objectives are the preservation and protection of YSI's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments. Endowment assets include those assets of donor-restricted funds that YSI must hold in perpetuity.

Allowable investments of YSI shall be made exclusively with the following securities:

- 1) Federally-insured certificates of deposit at commercial banks or savings & loan institutions; not to exceed current FDIC limits;
- 2) U.S. Treasury securities and securities of Federal agencies and instrumentalities;
- 3) Repurchase agreements with financial institutions, collateralized by U.S. Treasury or Federal agency securities;
- 4) Money market funds that invest in securities approved under these guidelines.

Youth Science Institute
Notes to Financial Statements—Continued

Note 11—Permanently Restricted Net Assets—Continued

In addition to the above instruments, the endowment fund may invest in investment grade corporate bonds. The endowment fund may also invest in common stocks or mutual funds up to 50% of the total endowment fund as deemed appropriate by the Finance Committee and the investment counselors.

Spending Policy and How the Investment Objectives Relate to Spending Policy—YSI has a policy of appropriating for distribution each year an amount not to exceed 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, YSI considered the long-term expected return on its endowment. This is consistent with YSI's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets consist of:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at September 30, 2015	\$ 11,012	\$ 13,040	\$ 24,052
Interest and dividends	193		193
Net realized and unrealized change in investments	3,038		3,038
Endowment Net Assets at September 30, 2016	14,243	13,040	27,283
Interest and dividends	397		397
Net realized and unrealized change in investments	1,814		1,814
Endowment Net Assets at September 30, 2017	\$ 16,454	\$ 13,040	\$ 29,494

Youth Science Institute
Notes to Financial Statements—Continued

Note 12—Contributions In-Kind

The estimated fair value of donated rent, utilities, materials and expert services received are recorded as contributions in-kind. Contributions in-kind received by YSI for the years ended September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Rent	\$ 457,476	\$ 208,350
Utilities	2,350	7,050
Outside services		1,696
Professional services		1,192
Animal care		226
Supplies		146
Totals	<u>\$ 459,826</u>	<u>\$ 218,660</u>

Note 13—Contingencies

Grants and contracts awarded to YSI are subject to the funding agencies' criteria, contract terms, and regulations under which expenditures may be charged and are subject to audit under such terms, regulations, and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, YSI could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period. YSI would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

Note 14—Related Party Transactions

During the year ended September 30, 2016, YSI received contributed support of \$36,244 from an officer of YSI. The funds were intended to help bridge the gap between revenue and expense while the organization worked to strengthened and expand its fundraising capacity.

Note 15— Recent Accounting Pronouncements

Fair Value Measurement—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For nonpublic business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. YSI is currently evaluating the impact that the adoption of ASU 2015-07 will have on its financial statements.

Leases—In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for YSI in 2020; early adoption is permitted. YSI is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for YSI in 2018. Early adoption is permitted. YSI is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Revenue Recognition—In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for YSI in 2019 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. YSI is evaluating whether this will have a material impact on its financial statements.

Youth Science Institute
Notes to Financial Statements—Continued

Note 16—Subsequent Events

Management evaluated all activities of Youth Science Institute through July 10, 2018, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.