

Reviewed Financial Statements



September 30, 2018

Quigley & Miron

**Youth Science Institute
Reviewed Financial Statements
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September 30, 2018**

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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, 2018, 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
April 17, 2019

Youth Science Institute
Statement of Financial Position
September 30, 2018
(with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 354,289	\$ 168,892
Investments—Note 3	17,055	17,395
Accounts receivable	10,852	12,288
Contributions and contracts receivable—Note 5	111,150	125,200
Prepaid expenses	9,281	11,090
Property and equipment, net—Note 6	856,567	903,799
Buildings and land leases—Note 7	270,991	335,093
Collections—Note 2		
	<u>1,630,185</u>	<u>1,573,757</u>
Total Assets	\$ 1,630,185	\$ 1,573,757
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,330	\$ 10,654
Accrued vacation	28,838	19,166
Accrued payroll	6,764	3,801
Deferred revenue	19,795	10,946
	<u>62,727</u>	<u>44,567</u>
Total Liabilities	62,727	44,567
Net Assets		
Unrestricted	1,028,187	982,850
Temporarily restricted—Note 8	526,231	533,300
Permanently restricted—Note 9	13,040	13,040
	<u>1,567,458</u>	<u>1,529,190</u>
Total Net Assets	1,567,458	1,529,190
Total Liabilities and Net Assets	\$ 1,630,185	\$ 1,573,757

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

Youth Science Institute
Statement of Activities
Year Ended September 30, 2018
(with comparative totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Support and Revenue					
Program fees	\$ 556,576	\$	\$	\$ 556,576	\$ 491,454
Grants and contributions	58,629	241,522		300,151	249,655
Contributions in-kind—Note 10	73,536			73,536	459,826
Government contracts	100,000			100,000	62,500
Admissions	3,693			3,693	1,039
Other income	3,800			3,800	3,054
Interest and dividends—Note 3	577	678		1,255	776
Realized and unrealized change in investments—Note 3	(200)	(579)		(779)	1,675
Total Support and Revenue Before Reclassifications	796,611	241,621		1,038,232	1,269,979
Reclassifications					
Net assets released from restrictions	248,690	(248,690)			
Total Support and Revenue After Reclassifications	1,045,301	(7,069)		1,038,232	1,269,979
Expenses					
Program services	650,215			650,215	682,639
Management and general	283,828			283,828	187,248
Fundraising	65,921			65,921	52,239
Total Expenses	999,964			999,964	922,126
Change in Net Assets	45,337	(7,069)		38,268	347,853
Net Assets at Beginning of Year	982,850	533,300	13,040	1,529,190	1,181,337
Net Assets at End of Year	\$ 1,028,187	\$ 526,231	\$ 13,040	\$ 1,567,458	\$ 1,529,190

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

**Youth Science Institute
Statement of Functional Expenses
Year Ended September 30, 2018
(with comparative totals for 2017)**

	Program Services	Supporting Services		2018 Total	2017 Total
		General and Administrative	Fundraising		
Salaries	\$ 375,829	\$ 84,846	\$ 50,398	\$ 511,073	\$ 418,120
Employee benefits	30,495	6,430	2,821	39,746	50,796
Payroll taxes	32,743	7,396	4,395	44,534	35,158
Total Payroll, Taxes, and Benefits	439,067	98,672	57,614	595,353	504,074
Rent	49,350	81,238		130,588	117,684
Professional services		51,273	1,184	52,457	70,041
Depreciation	46,151		1,081	47,232	48,086
Advertising	3,188	25,501		28,689	28,516
Computer, internet, and telephone	13,607	9,341	2,531	25,479	22,503
Bank fees and payroll processing	20,227	2,115		22,342	18,486
Utilities	21,127			21,127	20,746
Supplies	14,584	2,035	294	16,913	11,846
Insurance	10,644	4,083	133	14,860	14,289
Animal care	9,047			9,047	7,971
Travel	6,950	1,015	418	8,383	7,702
Miscellaneous	2,392	4,408	747	7,547	12,128
Repairs, maintenance, and small equipment	6,429	201		6,630	16,050
Site improvements	6,388	8		6,396	7,363
Dues and subscriptions	73	1,112	1,210	2,395	1,942
Outside services		2,380		2,380	6,936
Printing	911		639	1,550	3,800
Postage and shipping	80	446	70	596	1,963
Total Expenses	\$ 650,215	\$ 283,828	\$ 65,921	\$ 999,964	\$ 922,126

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

**Youth Science Institute
Statement of Cash Flows
Year Ended September 30, 2018
(with comparative totals for 2017)**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 38,268	\$ 347,853
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	47,232	48,086
In-kind building and land leases		(376,084)
Net realized and unrealized change in investments	579	(1,825)
Changes in operating assets and liabilities:		
Accounts receivable	1,436	(7,238)
Contributions and contracts receivable	14,050	(71,302)
Prepaid expenses	1,809	10,010
Building and land leases	64,102	40,991
Accounts payable	(3,324)	(9,030)
Accrued vacation	9,672	(2,759)
Accrued payroll	2,963	3,801
Deferred revenue	8,849	2,758
Cash Provided by (Used in) Operating Activities	<u>185,636</u>	<u>(14,739)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments		50,000
Purchases of investments	(239)	
Cash Provided by (Used in) Investing Activities	<u>(239)</u>	<u>50,000</u>
Net Increase in Cash	<u>185,397</u>	<u>35,261</u>
Cash and Cash Equivalents at Beginning of Year	<u>168,892</u>	<u>133,631</u>
Cash and Cash Equivalents at End of Year	<u>\$ 354,289</u>	<u>\$ 168,892</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, 2018
(with comparative totals for 2017)

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, 2018, YSI delivered 1,021 hands-on School and Group Programs to 22,175 K-8 public school students children, 16% 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, 77 were provided for free to low-income, Title I-eligible schools. YSI filled 1,027 seats in its Summer Science Camps (representing 781 individual children), and 36 low-income children attended for free. YSI served 22 children during its Holiday Camp Programs. YSI also served 718 individuals through its Science Safaris and 2,759 individuals with its free community events.

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, 2018 and 2017. 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, 2018 and 2017 were \$28,689 and \$28,516, 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 2017—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, 2017, from which the summarized information was derived.

Reclassifications—Certain amounts in 2017 have been reclassified to conform with the 2018 financial presentation.

Recently Adopted Accounting Principle—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)*. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. ASU 2015-07 has been adopted for the year ended September 30, 2018, however, the retrospective approach requires that an investment for which fair value is measured using NAV as a practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

Note 3—Investments

Investments consist of the following as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equity securities	\$ 10,537	\$ 11,327
Mutual funds	6,518	6,068
Totals	<u>\$ 17,055</u>	<u>\$ 17,395</u>

Investments are classified as follows as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unrestricted investments	\$ (12,538)	\$ (12,099)
Temporarily restricted investments	16,553	16,454
Permanently restricted investments	13,040	13,040
Totals	<u>\$ 17,055</u>	<u>\$ 17,395</u>

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 1,255	\$ 776
Investment management fees	(200)	(150)
Net realized and unrealized change in investments	<u>(579)</u>	<u>1,825</u>
Net	<u>\$ 476</u>	<u>\$ 2,451</u>

Note 4—Fair Value

In determining the fair value of assets and liabilities | investments, YSI utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. YSI determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to YSI at the measurement date. YSI's Level 1 assets consist of equities.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly. YSI's Level 2 assets consist of fixed income investment funds.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment. YSI had no Level 3 assets or liabilities at September 30, 2018 and 2017.

YSI may utilize a practical expedient, Net Asset Value (NAV) per share (or its equivalent), for measuring the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. All assets and liabilities at September 30, 2018 and 2017 are carried at fair value of \$17,055 and \$17,395, respectively, which are considered Level 1 and Level 2 assets.

Note 5—Contributions and Contracts Receivable

Pledges and contracts receivable at September 30, 2018 and 2017 consist of receivables from foundations, individuals, and the County of Santa Clara due within a year, totaling \$111,150 and \$125,200, respectively.

Youth Science Institute
Notes to Financial Statements—Continued

Note 6—Property and Equipment, Net

Property and equipment, net at September 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</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	(1,046,336)	(999,104)
Net	<u>\$ 856,567</u>	<u>\$ 903,799</u>

Total depreciation expense recorded for the years ended September 30, 2018 and 2017 was \$47,232 and \$48,086, respectively.

Note 7—Buildings and Land Leases

In August 2017, YSI entered into new 65-month lease agreements (Leases) 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 leases* 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 years ended September 30, 2018 and 2017. The present value of the leases as of September 30, 2018 and 2017, was \$270,991 and \$335,093, based upon rental expense of \$79,401 and a discount rate of 5%.

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

<u>Year Ending September 30,</u>	
2019	\$ 67,381
2020	70,829
2021	74,452
2022	58,329
Total	<u>\$ 270,991</u>

Youth Science Institute
Notes to Financial Statements—Continued

Note 8—Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Building and land leases	\$ 270,991	\$ 364,142
School programs	81,255	3,345
Restricted to time	68,483	100,000
Development Director	65,169	
Administrative costs	22,780	44,784
Endowment accumulated earnings—unappropriated	16,553	16,454
Wildlife Festival	1,000	
Small equipment		4,575
Totals	<u>\$ 526,231</u>	<u>\$ 533,300</u>

Note 9—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 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

Youth Science Institute
Notes to Financial Statements—Continued

Note 9—Permanently Restricted Net Assets—Continued

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, 2018 and 2017.

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.

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.

Youth Science Institute
Notes to Financial Statements—Continued

Note 9—Permanently Restricted Net Assets—Continued

Changes in endowment net assets consist of:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Interest and dividends	678		678
Net realized and unrealized change in investments	(579)		(579)
Endowment Net Assets at September 30, 2018	<u>\$ 16,553</u>	<u>\$ 13,040</u>	<u>\$ 29,593</u>

Note 10—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, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Rent	\$ 66,486	\$ 457,476
Utilities	7,050	2,350
Totals	<u>\$ 73,536</u>	<u>\$ 459,826</u>

Note 11—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.

Youth Science Institute

Notes to Financial Statements—Continued

Note 12— Recent Accounting Pronouncements

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (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. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted for fiscal years beginning after December 15, 2016. 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.

Net Assets Presentation—In August 2016, 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 fiscal years beginning after December 15, 2017, with early adoption permitted. YSI is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. YSI is currently evaluating the impact that the adoption of ASU 2016-18 will have on its financial statements.

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Note 13—Subsequent Events

Management evaluated all activities of Youth Science Institute through April 17, 2019, 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.