

Reviewed Financial Statements



May 31, 2020

Quigley & Miron

Youth Science Institute
Reviewed Financial Statements
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May 31, 2020

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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 May 31, 2020, 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

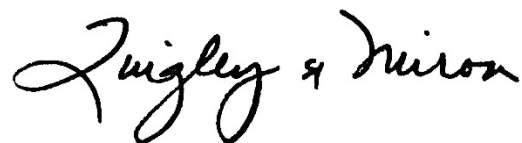
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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
January 29, 2021

Youth Science Institute
Statement of Financial Position
May 31, 2020

Assets

Cash and cash equivalents	\$ 284,509
Investments—Note 4	13,480
Accounts receivable	10,586
Government grants receivable—Note 5	16,666
Prepaid expenses	4,837
Buildings and land leases—Note 6	156,784
Property and equipment, net—Note 7	780,748
Collections—Note 2	

Total Assets	\$ 1,267,610
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Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 4,456
Salaries and employee benefits payable	23,293
Deferred revenue	24,213

Total Liabilities	51,962
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Net Assets

Without donor restrictions	948,043
With donor restrictions—Note 8	267,605

Total Net Assets	1,215,648
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Total Liabilities and Net Assets	\$ 1,267,610
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See independent accountant's review report and notes to the financial statements.

**Youth Science Institute
Statement of Activities
Year Ended May 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public Support and Revenue			
Program fees	\$ 482,802	\$	\$ 482,802
Grants and contributions	167,747	198,550	366,297
In-kind contributions—Note 10	66,140		66,140
Government grants	100,000		100,000
Other income	1,675		1,675
Interest and dividends—Note 4	751	1,537	2,288
Net assets released from restrictions	223,894	(223,894)	
Total Public Support and Revenue	1,043,009	(23,807)	1,019,202
Expenses			
Program services	692,654		692,654
Supporting services			
Management and general	310,394		310,394
Fundraising	55,269		55,269
Total Expenses	1,058,317		1,058,317
Change in Net Assets From Operations	(15,308)	(23,807)	(39,115)
Nonoperating Activities			
Investment return, net	(150)	(2,453)	(2,603)
Total Nonoperating Activities	(150)	(2,453)	(2,603)
Change in Net Assets	(15,458)	(26,260)	(41,718)
Net Assets at Beginning of Period	963,501	293,865	1,257,366
Net Assets at End of Period	\$ 948,043	\$ 267,605	\$ 1,215,648

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

**Youth Science Institute
Statement of Functional Expenses
Year Ended May 31, 2020**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 338,945	\$ 149,629	\$ 34,096	\$ 522,670
Payroll taxes	27,632	13,905	2,811	44,348
Employee benefits	27,464	10,426	2,015	39,905
Total Payroll, Taxes, and Benefits	394,041	173,960	38,922	606,923
Rent	109,438	16,094	3,219	128,751
Professional services	3,045	57,665	3,107	63,817
Depreciation	40,374	5,937	1,187	47,498
Advertising	6,955	23,500		30,455
Outside services	18,080	7,540	4,296	29,916
Bank fees and payroll processing	25,397	1,534	667	27,598
Computer, internet, and telephone	16,264	11,322		27,586
Utilities	17,879	2,629	526	21,034
Insurance	11,529	4,510	144	16,183
Repairs, maintenance, and small equipment	11,768	212		11,980
Miscellaneous	5,858	3,327	978	10,163
Site improvements	7,871			7,871
Supplies	6,926	139	678	7,743
Animal care	7,668			7,668
Dues and subscriptions	4,401	1,383	846	6,630
Travel	5,134	360	200	5,694
Postage and shipping	26	282	499	807
Total Expenses	\$ 692,654	\$ 310,394	\$ 55,269	\$ 1,058,317

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

**Youth Science Institute
Statement of Cash Flows
Year Ended May 31, 2020**

Cash Flows from Operating Activities

Change in net assets	\$ (41,718)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	47,498
Investment losses	2,303
Changes in operating assets and liabilities:	
Accounts receivable	4,534
Prepaid expenses	6,558
Building and land leases	69,661
Accounts payable and accrued expenses	(1,413)
Salaries and employee benefits payable	(10,720)
Deferred revenue	(234,956)
Cash Used in Operating Activities	(158,253)

Cash Flows from Investing Activities

Purchase of property and equipment	(2,927)
Proceeds from sale of investments	32
Purchases of investments	(1,099)
Cash Used in Investing Activities	(3,994)

Net Decrease in Cash (162,247)

Cash and Cash Equivalents at Beginning of Period

446,756

Cash and Cash Equivalents at End of Period \$ 284,509

Supplementary Disclosures

Income taxes paid	\$
Interest paid	\$

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

Youth Science Institute
Notes to Financial Statements
May 31, 2020

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 including 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 subjects is critical to sparking a life-long interest. The need to enhance science education through out-of-school providers like YSI is underscored by a study of California elementary schools revealing 40% of K-5 teachers spend 60 minutes or less per week on science and 13% spend 30 minutes or less on science. Source: Dorph, R., Shields, P., Tiffany-Morales, J., Hartry, A., McCaffrey, T. (2011). The status of science education in the California: Research brief. Lawrence Hall of Science, University of California, Berkeley, California, and SRI International.

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.

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 May 31, 2020, YSI delivered 670 hands-on School and Group Programs to 18,477 K-6 public school students children, 10% 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, 35 were provided for free to low-income, Title I-eligible schools. YSI also served 135 individuals through its Science Safaris and approximately 2,500 individuals with its free community events.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. YSI recognizes grants and contributions as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of YSI and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of YSI. These net assets may be used at the discretion of YSI's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of YSI and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit YSI to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of programs to help to connect children with the wonders of nature through the principles of the scientific process, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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 May 31, 2020. 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.

Recently Adopted Accounting Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) are to account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors are to use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU No. 2018-08 has been adopted by YSI for the year ended May 31, 2020, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements and noted that there was no material effect on the financial statements.

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.

Property 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.

Risks and Uncertainties—In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. YSI is continuing to conduct its program activities and to monitor the ongoing impact of the pandemic response on overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on YSI, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Program Fees—Program fees are recognized at the time services are performed.

Grants and Contributions—Contributions are reported as support revenue in the period received and as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor 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.

In-Kind Contributions—Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Youth Science Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Government Grants—Revenues from government grants are reported as increases in net assets without donor restrictions 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.

Advertising—YSI's policy is to expense advertising costs as they are incurred. Advertising expenses for the year ended May 31, 2020 were \$30,455.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Rent is allocated on the basis of square footage. Salaries and wages, payroll taxes, and employee benefits are allocated on the basis of estimates of time and effort. All other functional expenses are allocated directly to the function which they benefit.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3—Availability and Liquidity

YSI's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$300,000). As part of its liquidity plan, excess cash is invested in short-term investments, including equity securities and mutual funds.

The following represents the availability and liquidity of YSI's financial assets at May 31, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$	257,977
Accounts receivable		10,586
Government grants receivable		16,666
		<hr/>
Current Availability of Financial Assets	\$	<u>285,229</u>

Note 4—Investments and Fair Value

Investments consist of the following as of May 31, 2020:

Equity securities	\$	8,536
Mutual funds		4,944
		<hr/>
Total	\$	<u>13,480</u>

Youth Science Institute
Notes to Financial Statements—Continued

Note 4—Investments and Fair Value—Continued

Investment activity for the year ended May 31, 2020 was as follows:

Unrealized investment losses	\$	(2,335)
Realized investment gains		32
Investment management fees		(300)
		<hr/>
Investment Return, Net		(2,603)
Interest and dividends		2,288
		<hr/>
Total Return on Investment	\$	(315)

In determining the fair value of 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 May 31, 2020.

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 May 31, 2020 are carried at fair value of \$13,480, which are considered Level 1 and Level 2 assets.

Note 5—Government Grants Receivable

Government grants receivable at May 31, 2020 consist of receivables from the County of Santa Clara due within a year, totaling \$16,666.

Note 6—Buildings and Land Leases

In August 2017, YSI entered into two 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 contribution with donor restrictions as *contributions in-kind*, on the statement of activities for the year ended May 31, 2020. The present value of the leases as of May 31, 2020, was \$156,784, based upon rental expense of \$79,401 and a discount rate of 5%.

Youth Science Institute
Notes to Financial Statements—Continued

Note 6—Buildings and Land Leases—Continued

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

<u>Year Ending May 31,</u>		
2021	\$	73,224
2022		76,971
2023		6,589
	Total	\$ 156,784

Note 7—Property and Equipment, Net

Property and equipment, net at May 31, 2020 consists of the following:

Leasehold improvements	\$	1,602,309
Furniture and fixtures		236,137
Equipment and machinery		67,384
		<u>1,905,830</u>
Less accumulated depreciation		<u>(1,125,082)</u>
	Property and Equipment, Net	\$ 780,748

Total depreciation expense recorded for the year ended May 31, 2020 was \$47,498.

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended May 31, 2020 are as follows:

Subject to purpose restrictions:		
School programs	\$	11,079
Administrative costs		2,250
	Total Subject to Purpose Restrictions	13,329
Subject to time restrictions:		
Building and land lease		156,760
General support		70,833
	Total Subject to Time Restrictions	227,593
Subject to YSI's endowment spending policy and appropriation:		
Subject to YSI's spending policy and appropriation		13,643
	Total Subject to Appropriation	13,643
Held in perpetuity:		
Endowment		13,040
	Total Held in Perpetuity	13,040
	Total Net Assets with Donor Restrictions	\$ 267,605

Youth Science Institute
Notes to Financial Statements—Continued

Note 8—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the year ended May 31, 2020 are as follows:

Satisfaction of purpose restrictions:	
School programs	\$ 69,697
Alum rock	27,600
Summer camp	16,800
Wildlife Festival	3,000
Administrative costs	1,690
Animal care	700
Total Satisfaction of Purpose Restrictions	119,487
Satisfaction of passage of time:	
Building and land leases	69,685
General support	34,722
Total Satisfaction of Time Restrictions	104,407
Total Net Assets Released from Donor Restrictions	\$ 223,894

Note 9—Endowment

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 net assets with donor restrictions held in perpetuity (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 net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions 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

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the net assets' perpetual in nature balance. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are required to be reported in net assets without donor restrictions. There were no such deficiencies as of May 31, 2020.

Youth Science Institute
Notes to Financial Statements—Continued

Note 9—Endowment—Continued

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.

Changes in endowment net assets consist of:

	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment Net Assets at May 31, 2019	\$ 14,559	\$ 13,040	\$ 27,599
Interest and dividends	1,537		1,537
Realized and unrealized losses	(2,303)		(2,303)
Investment management fees	(150)		(150)
	<u>(916)</u>		<u>(916)</u>
Total Investment Return on Endowment Funds			(916)
Endowment Net Assets at May 31, 2020	<u>\$ 13,643</u>	<u>\$ 13,040</u>	<u>\$ 26,683</u>

Note 10—In-Kind Contributions

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 year ended May 31, 2020 consist of the following:

Rent	\$ 59,090
Utilities	<u>7,050</u>
Total	<u>\$ 66,140</u>

Note 11—Contingencies

Grants 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 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 12— Recent Accounting Pronouncements

Revenue Recognition—In May 2014, FASB issued 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, 2020. 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.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. YSI is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 13—Subsequent Events

Management evaluated all activities of Youth Science Institute through January 29, 2021, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.