



youthSpark, Inc.

Financial Statements

at

June 30, 2016 and 2015



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
youthSpark, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of youthSpark, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of youthSpark, Inc. as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

January 30, 2017

youthSpark, Inc.
Statements of Financial Position
June 30, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Cash	\$ 541,504	\$ 157,984
Grants Receivable	53,303	20,832
Pledges Receivable	227,300	17,250
Prepaid Expenses	1,000	-
Fixed Assets, Net	<u>5,881</u>	<u>495</u>
 Total Assets	 <u>\$ 828,988</u>	 <u>\$ 196,561</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 8,211	\$ 8,578
Amounts Held for Others	<u>17,780</u>	<u>17,973</u>
 Total Liabilities	 25,991	 26,551
Net Assets:		
Unrestricted	177,357	156,162
Temporarily Restricted	<u>625,640</u>	<u>13,848</u>
 Total Net Assets	 <u>802,997</u>	 <u>170,010</u>
 Total Liabilities and Net Assets	 <u>\$ 828,988</u>	 <u>\$ 196,561</u>

See Accompanying Notes

youthSpark, Inc.
Statements of Activities
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets:		
Revenue and Support:		
Government Grants and Contracts	\$ 57,105	\$ 42,135
Foundation and Corporate Grants	126,250	276,854
Contributions	272,628	201,527
Interest and Other Income	<u>58</u>	<u>32</u>
Total Unrestricted Support and Revenue	456,041	520,548
Net Assets Released From Restrictions	<u>31,679</u>	<u>-</u>
Total Support and Revenue	487,720	520,548
Expenses:		
Program Services	324,583	286,842
General and Administrative	87,212	66,558
Fundraising	<u>54,730</u>	<u>83,894</u>
Total Expenses	<u>466,525</u>	<u>437,294</u>
Change in Unrestricted Net Assets	21,195	83,254
Temporarily Restricted Net Assets:		
Foundation and Corporate Grants	643,471	-
Net Assets Released From Restriction	<u>(31,679)</u>	<u>-</u>
Change in Temporarily Restricted Net Assets	<u>611,792</u>	<u>-</u>
Change in Net Assets	632,987	83,254
Net Assets at Beginning of Year	<u>170,010</u>	<u>86,756</u>
Net Assets at End of Year	<u>\$ 802,997</u>	<u>\$ 170,010</u>

See Accompanying Notes

youthSpark, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 632,987	\$ 83,254
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	564	456
Decrease in Government Grant Receivable	(32,471)	(169)
(Increase) in Pledges Receivable	(210,050)	(5,765)
(Increase) Decrease in Prepaid Expense	(1,000)	2,640
Increase (Decrease) in Amount Held for Others	(193)	17,973
(Decrease) in Accounts Payable and Accrued Liabilities	(367)	(6,430)
Net Cash Provided by Operating Activities	389,470	91,959
Cash Flows From Investing Activities:		
Purchase of Leasehold Improvements	(1,000)	-
Purchase of Furniture and Equipment	(4,950)	-
Net Cash Used in Investing Activities	(5,950)	-
Net Increase in Cash	383,520	91,959
Cash at Beginning of the Year	157,984	66,025
Cash at End of the Year	\$ 541,504	\$ 157,984

See Accompanying Notes

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 1 - Organization and Purpose

youthSpark, Inc. (the "Organization") is a not-for-profit Georgia Corporation exempt from taxes under IRS Code Section 501(c)(3). The Organization's mission is "to advocate for children who need legal and adult protection in abusive and exploitative situations." The Organization works to end sex trafficking, make a difference for youth at risk of sex trafficking, and help address the unmet needs of other vulnerable and victimized youth involved with the Fulton County Juvenile Court.

The Organization accomplishes its mission through a combination of direct services to youth and advocacy on their behalf. Direct services are provided to victimized youth through the Youth Services Center, which offers access to various programs that address individual and familial vulnerabilities. Advocacy programs address the critical underlying social problems affecting youth served, taking the form of policy advocacy, training, and education programs.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles. The financial statements are presented on the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization. Generally, the donors of these permit the organization to use all or part of the income earned on the related investments for general or specific purposes. The Organization has no permanently restricted net assets.

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies - continued

Expendable Restricted Resources

When gifts of cash and other assets are received with donor stipulations that limit the use of the donated assets, the Organization reports these assets as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All cash contributions are considered to be available for unrestricted use unless specifically restricted by donor.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

Tax Status

The Organization is a not-for-profit organization exempt from income taxes under the Internal Revenue Code Section 501(c) 3. Therefore, no provision for income taxes has been made. Management believes it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions material to the financial statements.

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents

Cash and cash equivalents represent funds without legal restrictions on hand or on deposit with financial institutions available for use within a thirty-day period.

Pledges Receivable

Pledges receivable are expected to be realized in two years or less and are recognized as contribution revenue. Management has determined that all pledges receivable are fully collectible; therefore, no allowance for uncollectible pledges is considered necessary. Pledges receivable amounted to \$227,300 and \$17,250 at June 30, 2016 and 2015, respectively.

Fair Value of Financial Instruments

Cash, grants receivable, pledges receivable, prepaid expenses, accounts payable and accrued liabilities are carried at amounts which approximate their fair value due to the short-term nature of these instruments.

Equipment, Improvements, and Depreciation

Acquisitions of equipment and improvements in excess of \$5,000 are capitalized and stated at cost less accumulated depreciation. Depreciation is being provided by use of the straight-line method over the estimated useful lives of the related assets.

Note 3 – Current Vulnerability Due to Certain Concentrations

The Organization's operations are subject to the administrative directives, rules and regulations of various federal, State and local government agencies. Such administrative directives, rules and regulations are subject to change with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The Organization maintains its cash balances with one financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the cash balances may exceed this limit. The Organization believes it mitigates any risks by maintaining its cash balances with a major financial institution. At June 30, 2016, the Organization's uninsured cash balances total \$292,927.

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 4 - Grants Receivable

At June 30, 2016 and 2015, the Organization's grants receivable are as follows:

	<u>2016</u>	<u>2015</u>
Government:		
Georgia Criminal Justice Coordinating Council Grant	\$ 28,303	\$ 20,832
Foundation:		
Hunt Alternative Grant	<u>25,000</u>	<u>-</u>
Total Grants Receivable	<u>\$ 53,303</u>	<u>\$ 20,832</u>

Note 5 - Fixed Assets

At June 30, 2016 and 2015, a summary of the Organization's fixed assets, at cost, is presented below:

	<u>2016</u>	<u>2015</u>
Leasehold Improvements	\$ 1,000	\$ -
Furniture and Equipment	<u>22,190</u>	<u>17,240</u>
Total Fixed Assets	23,190	17,240
Less Accumulated Depreciation	<u>(17,309)</u>	<u>(16,745)</u>
Net Fixed Assets	<u>\$ 5,881</u>	<u>\$ 495</u>

In fiscal year 2016 and 2015, total depreciation expense was \$564 and \$456, respectively.

Note 6 - Amounts Held for Others

At June 30, 2016 and 2015, the Organization has on deposit in its operating account the following amounts held for the Fulton County Juvenile Court:

	<u>2016</u>	<u>2015</u>
Cold Case Court Assistance	\$ 9,807	\$ 10,000
Family Drug Treatment Accountability Court	<u>7,973</u>	<u>7,973</u>
Total Amount Held for Others	<u>\$ 17,780</u>	<u>\$ 17,973</u>

Payments are made directly to vendors and contractors when authorized by the juvenile court judges having responsibility for the funds.

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 7 - Temporarily Restricted Net Assets

At June 30, 2016 and 2015, the Organization had temporarily restricted net assets for the following programs:

	2016	2015
Judge Jones Memorial Playground	\$ 13,848	\$ 13,848
Youth Service Center	588,692	-
Health Connection Week and Mobile Health Kiosk	23,100	-
Total Temporarily Restricted Net Assets	\$ 625,640	\$ 13,848

In fiscal year 2016, the Organization received funds temporarily restricted for the following programs:

- The Youth Service Center increases the Organization's capacity to provide services to youth and families involved in the Fulton County Juvenile Court, especially those youth lacking legal and adult protection in abuse and exploitative situations. In fiscal year 2016, the Organization received contributions in the amount of \$620,371 for the development and construction of the Youth Service Center to be located in the Fulton County Juvenile Court. In fiscal year 2016, \$25,000 of the amount received was restricted for construction and equipment. The remaining funds will be used for start up costs and operating costs for the next three years. In fiscal year 2016, the Organization incurred costs totaling \$31,679 for consulting, software and furniture for the Youth Service Center.
- The Health Connection Week coordinates with community partners to provide services and information to youth and their families about health screenings, pregnancy prevention, navigation of the health care system, dental health, hygiene, mental health care, disease prevention and nutrition. In fiscal year 2016, the Organization received a \$15,000 grant to support this program. The Health Connection Week will be held in fiscal year 2017. In conjunction with the funds received for the Health Connection Week, the Organization received an additional \$8,100 to create a special Mobile Health Kiosk to provide health related educational material, an interactive health application and first aid, dental, and sexual safety supplies to youth coming through the Fulton County Juvenile Court. The Kiosk will be used during the Health Connection Week and then will be located in the Youth Service Center or moved to different locations in the Fulton County Juvenile Court as needed.

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 8 - In-kind Contributions

The Organization received the following in-kind contributions related to its administration and programs during the 2016 and 2015 fiscal years:

	<u>2016</u>	<u>2015</u>
Administration In-kind:		
Office Space	\$ 6,300	\$ 10,500
Legal Services	<u>24,000</u>	<u>-</u>
Total Administration In-kind	<u>\$ 30,300</u>	<u>\$ 10,500</u>
Program In-kind:		
Facility Space	\$ 35,700	\$ 45,061
Court Services	<u>-</u>	<u>33,191</u>
Total Program In-kind	<u>\$ 35,700</u>	<u>\$ 78,252</u>

The Organization receives in-kind contributions of administrative office space from the Fulton County Juvenile Court. This contribution includes utilities, phone and internet services and is valued at \$6,300 and \$10,500, respectively, during fiscal years 2016 and 2015. This contribution of facilities is recorded in the financial statements as support from contributions and general and administrative occupancy expense.

In the 2016 fiscal year, the Organization received an in-kind contribution of legal services valued at \$24,000 from a local law firm. This contribution of services is recorded in the financial statements as support from contributions and as administrative outside services expense.

The Fulton County Juvenile Court also provided facility space for programs. The contribution of the space included utilities, phone and internet services and was valued at \$35,700 and \$45,061, respectively, for the fiscal years 2016 and 2015. This contribution of facility space and services is recorded in the financial statements as support from contributions and as program occupancy expense.

In fiscal year 2015, the services provided by the Fulton County Juvenile Court's employees and volunteers was valued at \$33,191. This contribution of services is recorded in the financial statements as support from contributions and as program outside services expense.

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 9 - Functional Expenses

In fiscal year 2016, expenses categorized by function were as follows:

	Program Services	Support Services		Total
		General and Administrative	Fund Raising	
Salaries	\$ 172,370	\$ 13,673	\$ 10,500	\$ 196,543
Employee Benefits	18,697	1,536	919	21,152
Outside Services	44,473	40,050	38,966	123,489
Supplies	20,046	1,948	4,345	26,339
Travel / Transportation	11,481	128	-	11,609
Gifts to Others	10,000	-	-	10,000
Other Expense	8,942	17,975	-	26,917
Training / Education	2,874	5,038	-	7,912
Occupancy	35,700	6,300	-	42,000
Depreciation	-	564	-	564
Total Expenses	\$ <u>324,583</u>	\$ <u>87,212</u>	\$ <u>54,730</u>	\$ <u>466,525</u>

In fiscal year 2015, expenses categorized by function were as follows:

	Program Services	Support Services		Total
		General and Administrative	Fund Raising	
Salaries	\$ 108,917	\$ 18,473	\$ 20,337	\$ 147,727
Employee Benefits	12,907	1,755	2,051	16,713
Outside Services	64,642	14,500	59,411	138,553
Supplies	4,666	1,628	2,095	8,389
Travel / Transportation	10,855	330	-	11,185
Other Expense	39,571	14,892	-	54,463
Training / Education	223	4,024	-	4,247
Occupancy	45,061	10,500	-	55,561
Depreciation	-	456	-	456
Total Expenses	\$ <u>286,842</u>	\$ <u>66,558</u>	\$ <u>83,894</u>	\$ <u>437,294</u>

youthSpark, Inc.
Notes to the Financial Statements
June 30, 2016 and 2015

Note 10 – Employee Benefit Plan

The Organization has adopted a SIMPLE-IRA Plan under Section 408(p) of the Internal Revenue Code (the Plan) covering all employees who agree to make contributions to the Plan. Employees are eligible to begin contributing to the Plan immediately upon hire. The Organization matches participants' contributions to the Plan on a dollar for dollar basis up to 3% of the individual participant's compensation. Total expense to the Organization for the years ended June 30, 2016 and 2015 was \$1,800 and \$2,175, respectively.

Note 11 - Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the Organization. Management expects the amount of expenditures disallowed, if any, to be immaterial.

In connection with services and activities provided by the Organization to juveniles, claims may be asserted arising from the services and activities provided in the past. In the opinion of management, adequate insurance coverage exists for losses that may occur from the asserted and unasserted claims and such losses would not materially affect the financial position of the Organization.

Note 12- Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date through the date the financial statements are available to be issued. Management has evaluated subsequent events through January 30, 2017, the date the financial statements were available to be issued, for events requiring recording or disclosures in the financial statements for the year ended June 30, 2016.