



Audited Financial Statements

June 30, 2014

Independent Auditors' Report

To the Board of Directors of
South Asian Youth Action, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of South Asian Youth Action, Inc. ("SAYA"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor considers internal control relevant to the organization'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 organization'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 South Asian Youth Action, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Schall & Ashenfarb".

Schall & Ashenfarb
Certified Public Accountants, LLC

December 4, 2014

**SOUTH ASIAN YOUTH ACTION, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2014**

Assets

| | |
|--|--------------------|
| Cash and cash equivalents (Notes 2c and 2d) | \$894,187 |
| Investments (Notes 2e and 4) | 109,192 |
| Government grants receivable (Note 2h) | 113,464 |
| Contract fees receivable (Note 2i) | 89,200 |
| Prepaid expenses and other assets | 59,061 |
| Property and equipment, net (Notes 2f and 5) | 17,378 |
| Security deposit | 1,600 |
| | <u>1,284,082</u> |
| Total assets | <u>\$1,284,082</u> |

Liabilities and Net Assets

| | |
|---------------------------------------|--------------------|
| Liabilities: | |
| Accounts payable and accrued expenses | \$59,662 |
| Deferred revenue | 15,000 |
| Total liabilities | <u>74,662</u> |
| Net assets: (Note 2b) | |
| Unrestricted | |
| Operations | 849,690 |
| Board designated | 109,192 |
| Total unrestricted | <u>958,882</u> |
| Temporarily restricted (Note 3) | 250,538 |
| Total net assets | <u>1,209,420</u> |
| Total liabilities and net assets | <u>\$1,284,082</u> |

The attached notes and auditors' report are an integral part of these financial statements.

SOUTH ASIAN YOUTH ACTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|-------------------------|-----------------------------------|---------------------------|
| Public support and revenue (Note 2g): | | | |
| Government grants (Note 2h) | \$794,863 | | \$794,863 |
| Foundation contributions | 60,175 | \$300,000 | 360,175 |
| Corporation contributions | 16,600 | | 16,600 |
| Individual contributions | 13,609 | | 13,609 |
| Contract services (Note 2i) | 192,100 | | 192,100 |
| Special event income (net of direct expenses) (Note 6) | 904,616 | | 904,616 |
| Investment income (Note 4) | (555) | | (555) |
| Other income | 17,690 | | 17,690 |
| Net assets released from restrictions | 278,674 | (278,674) | 0 |
| Total public support and revenue | <u>2,277,772</u> | <u>21,326</u> | <u>2,299,098</u> |
| Expenses: | | | |
| Program services | 1,542,561 | | 1,542,561 |
| Supporting services: | | | |
| Management and general | 315,569 | | 315,569 |
| Fundraising | 271,372 | | 271,372 |
| Total supporting services | <u>586,941</u> | <u>0</u> | <u>586,941</u> |
| Total expenses | <u>2,129,502</u> | <u>0</u> | <u>2,129,502</u> |
| Change in net assets | 148,270 | 21,326 | 169,596 |
| Net assets - beginning of year | <u>810,612</u> | <u>229,212</u> | <u>1,039,824</u> |
| Net assets - end of year | <u><u>\$958,882</u></u> | <u><u>\$250,538</u></u> | <u><u>\$1,209,420</u></u> |

The attached notes and auditors' report are an integral part of these financial statements.

SOUTH ASIAN YOUTH ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

| | Supporting Services | | | Total Supporting Services | Total Expenses |
|---|------------------------------|------------------------------|------------------|---------------------------------|--------------------|
| | Total Program Services | Management and General | Fundraising | | |
| Salaries | \$1,069,476 | \$161,598 | \$85,928 | \$247,526 | \$1,317,002 |
| Payroll taxes and benefits | 172,668 | 26,089 | 13,873 | 39,962 | 212,630 |
| Professional fees | 49,351 | 26,912 | 54,337 | 81,249 | 130,600 |
| Stipends | 21,430 | | | 0 | 21,430 |
| Supplies | 54,725 | 2,054 | 51,071 | 53,125 | 107,850 |
| Telephone and telecommunications | 9,164 | 832 | 620 | 1,452 | 10,616 |
| Postage and mailing | 11 | 786 | 1,559 | 2,345 | 2,356 |
| Occupancy | 34,106 | 5,154 | 2,740 | 7,894 | 42,000 |
| Equipment rental, repairs and maintenance | 4,256 | 8,033 | 375 | 8,408 | 12,664 |
| Travel | 35,404 | 311 | 1,210 | 1,521 | 36,925 |
| Meetings and community relations | | | 16,217 | 16,217 | 16,217 |
| Staff and board development | 22,312 | 1,287 | 751 | 2,038 | 24,350 |
| Printing and copying | 727 | 1,423 | | 1,423 | 2,150 |
| Dues, fees and subscriptions | | 3,049 | | 3,049 | 3,049 |
| Advertising and recruitment | 935 | 56,645 | 672 | 57,317 | 58,252 |
| Insurance | 11,337 | 1,712 | 911 | 2,623 | 13,960 |
| Program expenses | 56,659 | | | 0 | 56,659 |
| Special event expenses | | | 41,108 | 41,108 | 41,108 |
| Bank and investment fees | | 1,031 | | 1,031 | 1,031 |
| Miscellaneous | | 3,929 | | 3,929 | 3,929 |
| Total expenses before depreciation | 1,542,561 | 300,845 | 271,372 | 572,217 | 2,114,778 |
| Depreciation | | 14,724 | | 14,724 | 14,724 |
| Total expenses | \$1,542,561 | \$315,569 | \$271,372 | \$586,941 | \$2,129,502 |

The attached notes and auditors' report are an integral part of these financial statements.

**SOUTH ASIAN YOUTH ACTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

| | |
|--|-------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$169,596 |
| Adjustments to reconcile change in net assets to net cash provided by/used for operating activities: | |
| Depreciation | 14,724 |
| Unrealized loss on investments | 1,815 |
| (Increase)/decrease in assets: | |
| Government grants receivable | 83,170 |
| Contract fees receivable | (22,643) |
| Prepaid expenses and other assets | 58,775 |
| Increase/(decrease) in liabilities: | |
| Accounts payable and accrued expenses | 10,987 |
| Deferred revenue | (45,300) |
| Contingency liability | <u>(40,000)</u> |
| Net cash flows provided by operating activities | <u>231,124</u> |
| Cash flows from investing activities: | |
| Purchases of fixed assets | (111,007) |
| Purchases of investments | <u>(13,883)</u> |
| Net cash flows used for investing activities | <u>(124,890)</u> |
| Net increase in cash and cash equivalents | 106,234 |
| Cash and cash equivalents - beginning of year | <u>787,953</u> |
| Cash and cash equivalents - end of year | <u><u>\$894,187</u></u> |
| Supplemental disclosures: | |
| Interest and taxes paid | <u><u>\$0</u></u> |

The attached notes and auditors' report are an integral part of these financial statements.

SOUTH ASIAN YOUTH ACTION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Organization

South Asian Youth Action, Inc. ("SAYA") is a secular youth development not-for-profit organization dedicated to South Asian youth. The SAYA's mission is to enable South Asian youth with limited opportunities to be prepared for a knowledge and skill-based economy, be assets to their families and engaged with their communities. SAYA's vision is for low-income South Asian youth to reach their full potential and begin a cycle of inter-generational success for all members of the community, regardless of means, circumstances or resources.

SAYA's revenue is primarily from public support and contributions.

SAYA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2. Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid. All significant receivables, payables and other liabilities have been reflected.

b. Basis of Presentation

SAYA's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.
- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. SAYA did not have any permanently restricted net assets at June 30, 2014.

c. Cash and Cash Equivalents

SAYA considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

d. Concentration of Credit

Financial instruments which potentially subject SAYA to concentration of credit risk consist of a cash account which has been placed with a financial institution that management deems to be creditworthy. At year-end and at various points throughout the year, material cash balances were in excess of FDIC insurance levels; however, management feels they have little risk and SAYA has not experienced any losses from the default of any financial institution.

e. Investments

Investments with readily available market prices are carried at fair market value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities. See Note 4 for additional information.

f. Capitalization Policy

Computer hardware, furniture, and equipment are stated at cost or at the fair value on the date of gift, if donated. SAYA capitalizes fixed assets in excess of pre-defined amounts that have a useful life of more than one year. Depreciation is charged using the straight-line method over the estimated useful life of the respective asset, which generally is between 3 and 5 years.

g. Contributions

Contributions are recorded as revenue at the earlier of the receipt of cash or when pledges are considered unconditional in nature. Contributions are considered available for unrestricted use, unless specifically restricted by the donor, in which case they are recorded in one of the restricted classes of net assets, depending on the nature of the restriction.

Contributions expected to be received within one year are recorded at their net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate. Conditional contributions received are recorded as liabilities and are recognized as income when the conditions have been substantially met.

h. Government Grants

The terms of each government grant are reviewed to determine if they contain traits more closely associated with contributions or exchange transactions. Management has determined that all existing government grants are exchange transactions because they contain traits more similar to contracts for service. The difference between revenue recognized and cash received is reflected as government grants receivable or refundable advances.

i. Other Contract Services

Program revenue is recognized as income when earned. The difference between revenue recognized and cash received is reflected as contract fees receivable.

j. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by

individuals possessing those skills and would typically need to be purchased if not provided in-kind.

SAYA pays for most other services requiring specific expertise. Board members and other individuals volunteer their time and support its mission and accomplish its programmatic goals. These services do not meet the criteria for recognition as outlined above and have not been recorded in the financial statements.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

l. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ from those estimates.

m. Accounting for Uncertainty in Income Taxes

SAYA does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2011 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 4, 2014, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

| | Balance <u>7/1/13</u> | <u>Contributions</u> | Released From <u>Restrictions</u> | Balance <u>6/30/14</u> |
|----------------------------------|--------------------------|----------------------|---|---------------------------|
| Program restrictions: | | | | |
| Academic and College Preparation | \$65,000 | \$0 | (\$65,000) | \$0 |
| Capacity Building | 20,000 | 100,000 | (\$33,373) | 86,627 |
| Desi Girls program | 15,000 | 0 | (15,000) | 0 |
| Desi Mens program | 107,500 | 0 | (107,500) | 0 |
| SAGE program | 21,712 | 0 | (21,712) | 0 |
| Leadership | 0 | 85,000 | (0) | 85,000 |
| College & Career Readiness | <u>0</u> | <u>115,000</u> | <u>(36,089)</u> | <u>78,911</u> |
| Total | <u>\$229,212</u> | <u>\$300,000</u> | <u>(\$278,674)</u> | <u>\$250,538</u> |

Note 4 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that SAYA has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

| | <u>June 30, 2014</u> | | |
|-----------------------------|----------------------|------------------|------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Money funds | \$939 | \$0 | \$939 |
| U.S. government obligations | 0 | 49,337 | 49,337 |
| Corporate bonds | <u>0</u> | <u>58,916</u> | <u>58,916</u> |
| Total | <u>\$939</u> | <u>\$108,253</u> | <u>\$109,192</u> |

Level 1 securities are valued at the closing price reported on the active market they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Investment income consists of:

| | |
|------------------------|----------------|
| Interest and dividends | \$1,260 |
| Unrealized losses | <u>(1,815)</u> |
| Total | <u>(\$555)</u> |

Note 5 - Fixed Assets

Fixed assets consist of the following:

| | |
|-----------------------------------|-----------------|
| Computers and equipment (3 years) | \$34,184 |
| Website development (3 years) | 11,800 |
| Furniture and fixtures (5 years) | 17,424 |
| Leasehold improvements (3 years) | <u>6,800</u> |
| Total fixed assets - cost | 70,208 |
| Less: accumulated depreciation | <u>(52,830)</u> |
| Total fixed assets - net | <u>\$17,378</u> |

Note 6 - Fundraising Event

| | |
|---|------------------|
| Gross revenue (including in-kind of \$54,000) | \$1,092,281 |
| Less: expenses where donor received direct benefits | <u>(187,665)</u> |
| Net | 904,616 |
| Less: other expenses | <u>(41,108)</u> |
| Total | <u>\$863,508</u> |

Note 7 - Commitments and Contingencies

Government Grants

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves for this. Any disallowed costs would be recorded in the period notified.

Lease Commitments

During the year ended June 30, 2014, SAYA leased its premises under an operating lease which expired on June 30, 2014. Subsequent to year end, SAYA entered into a new lease agreement for the same space which expires on June 30, 2018. Future minimum lease payments are as follows:

| | | |
|---------------------|---------------|------------------|
| For the year-ended: | June 30, 2015 | \$47,340 |
| | June 30, 2016 | 49,800 |
| | June 30, 2017 | 52,380 |
| | June 30, 2018 | <u>55,080</u> |
| | | <u>\$204,600</u> |

Legal Settlement

SAYA was a defendant in a lawsuit filed by a financial institution for alleged default of a financing agreement on an equipment lease. During the year ended June 30, 2014, SAYA settled the dispute by making payments of \$23,000, which had been accrued in the prior year.