YOUTH LEARNING CENTER

FINANCIAL REPORT
(Audited)

Year Ended December 31, 2013

Contents

Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITOR'S REPORT

August 11, 2014

The Board of Directors
YOUTH LEARNING CENTER

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **YOUTH LEARNING CENTER** (the Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Auditor's 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 auditor's 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

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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 the Organization as of December 31, 2013 and 2012, and the respective changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUPPLEMENTAL INFORMATION

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 61,595**	456,451
Accounts receivable	**27,669**	-
Contributions receivable	**22,967**	20,363
Prepaid expenses	**-**	9,715
Total Current Assets	**112,231**	486,529
Fixed Assets, net of accumulated depreciation	**1,951,537**	2,032,221
Total Assets	**$ 2,063,768**	2,518,750
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 25,189**	18,035
Net Assets		
Unrestricted	**2,038,579**	2,500,715
Total Liabilities And Net Assets	**$ 2,063,768**	2,518,750

See notes to financial statements

	For The Years Ended December 31	
	2013	2012
SUPPORT AND REVENUE		
Contributions	**$ 468,066**	782,360
Grants	**67,750**	51,288
Interest and dividends	**471**	813
Student fees	**95,464**	81,385
Fundraising events	**34,163**	79,232
Miscellaneous	**1,487**	5,981
Total Support And Revenue	**667,401**	1,001,059
EXPENSES		
Program services	**742,261**	603,049
Management and general	**70,457**	152,323
Fundraising	**316,819**	243,483
Total Expenses	**1,129,537**	998,855
CHANGE IN NET ASSETS	**(462,136)**	2,204
NET ASSETS, JANUARY 1	**2,500,715**	2,498,511
NET ASSETS, DECEMBER 31	**$ 2,038,579**	2,500,715

	For The Years Ended December 31	
	2013	2012
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Change in net assets	**$ (462,136)**	2,204
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**93,559**	107,737
Loss on disposal of fixed assets	**552**	-
(Increase) decrease in:		
Accounts receivable	**(27,669)**	-
Contributions receivable	**(2,604)**	(2,659)
Prepaid expenses	**9,715**	563
Increase (decrease) in:		
Accounts payable and accrued expenses	**7,154**	5,530
Total Adjustments	**80,707**	111,171
Net Cash Provided By (Used In) Operating Activities	**(381,429)**	113,375
Cash flows used in investing activities:		
Purchase of fixed assets	**(13,427)**	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(394,856)**	113,375
CASH AND CASH EQUIVALENTS, JANUARY 1	**456,451**	343,076
CASH AND CASH EQUIVALENTS, DECEMBER 31	**$ 61,595**	456,451

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied by **YOUTH LEARNING CENTER** (the Organization) in the preparation of the accompanying financial statements are summarized below:

1. Nature of Operations

The Organization is a nonprofit organization that provides education resources to youth of the metropolitan St. Louis area. The mission of the Organization is to provide unique academic and enrichment experiences for youth from underserved communities to inspire lifelong learning, social responsibility, and moral leadership.

2. Basis of Accounting

These financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred.

3. Basis of Presentation

Under FASB codified statements for *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets -- unrestricted, temporarily restricted, and permanently restricted.

The Organization does not have any temporarily or permanently restricted net assets at December 31, 2013 and 2012.

4. 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 amounts of assets and liabilities and 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 these estimates.

5. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Investments

Investments, if any, are recorded at fair value as determined by quoted prices in an active market. As of December 31, 2013 and 2012, the Organization had $11,559 and $16,343, respectively, held in a brokerage account consisting mainly of cash.

7. Accounts Receivable

Accounts receivable represents tuition due from students and is considered fully collectible by the Organization's management. At December 31, 2013 and 2012, an allowance for doubtful accounts was not deemed necessary.

8. Contributions Receivable

Contributions receivable represents grants, contracts, and amounts due from consumers and is considered fully collectible by the Organization's management. At December 31, 2013 and 2012, an allowance for doubtful accounts was not deemed necessary.

9. Fixed Assets

Fixed assets are carried at cost if purchased or at fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

10. Donated Materials and Services

The Organization received donated services from a variety of unpaid volunteers assisting the Organization in providing management and programmatic services. However, no amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under financial accounting standards has not been satisfied. Contributions of materials and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

11. Unrestricted and Restricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the satisfaction of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When donor-restricted contributions are received and used for the purpose and/or time-period intended during the same year, they are reported as increases in unrestricted net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimates made by management.

13. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization follows FASB accounting standards for uncertainty in income taxes. These standards require that uncertain income tax positions be "more likely than not" before the amounts are recognized in the financial statements. Further, the standards require the benefit or expense be recorded in the financial statements as the amount most likely to be realized assuming a review by tax authorities having all relevant information and applying current conventions. The Organization has assessed its federal and state tax positions and determined there were no uncertainties or possible related effects that need to be recorded as of and for the years ended December 31, 2013 and 2012.

Open Years -- The federal and state income tax returns of the Organization are subject to examination by the respective taxing authorities generally for three years after they were filed.

Income Tax Penalties and Interest Policy -- Penalties and interest assessed by income taxing authorities are included in operating expenses. The Organization did not incur income tax penalties or interest for the years ended December 31, 2013 and 2012.

14. Concentrations of Credit Risk

The Organization maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation. At December 31, 2013 and 2012, the Organization's bank balances were fully secured.

NOTE B - FIXED ASSETS

Fixed assets consist of the following:

NOTE B - FIXED ASSETS (Continued)

	December 31	
	2013	2012
Land	**$ 24,905**	24,905
Construction in progress	**10,907**	-
Building	**2,352,860**	2,352,860
Equipment and fixtures	**248,796**	314,097
Building improvements	**66,199**	66,199
Vehicles	**28,235**	28,235
	2,731,902	2,786,296
Less - Accumulated depreciation	**780,365**	754,075
Total Fixed Assets, Net Of Accumulated Depreciation	**$ 1,951,537**	2,032,221

Depreciation expense is $93,559 and $107,737 for the years ended December 31, 2013 and 2012.

NOTE C - EMPLOYEE RETIREMENT PLAN

The Organization has adopted a 401(k) Retirement Plan that contains an employer match. Participants are eligible to receive a matching contribution of 25% of contributions up to 4% of compensation. Contributions from the Organization to the Plan totaled $1,941 and $1,035 for the years ended December 31, 2013 and 2012, respectively.

NOTE D - RELATED PARTY TRANSACTIONS

A member of the Organization's Board is also affiliated with the Ford Family Charitable Fund, a Fund of Greater St. Louis Community Foundation. During the years ended December 31, 2013 and 2012, the Fund contributed $202,450 and $748,550 to the Organization, respectively.

NOTE E - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement to date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

NOTE E - FAIR VALUE MEASUREMENT (Continued)

The Organization's financial instruments are cash and cash equivalents, contributions receivable, accounts receivable, and accounts payable. The recorded values of cash, cash equivalents, contributions receivable, accounts receivable, and accounts payable approximate their fair value based on their short-term nature.

NOTE F - OPERATING LEASES

The Organization leases equipment under certain operating lease agreements with terms in excess of one year. Annual aggregate lease payments remaining under the terms of the operating lease agreements are as follows:

For The Years Ended December 31	
2014	$ 2,672
2015	2,376
2016	2,376
2017	2,376
2018	1,782
Total	$ 11,582

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 11, 2014, the date which the financial statements were available for issue.

SUPPLEMENTAL INFORMATION SECTION

SCHEDULES OF FUNCTIONAL EXPENSES

	For The Year Ended December 31, 2013			
	Program Services	Management And General	Fundraising	Total
Salaries and related expenses:				
Compensation of officers	$ 117,425	13,961	65,636	197,022
Other salaries and wages	289,373	22,107	145,022	456,502
Payroll taxes and processing fees	68,263	8,659	26,369	103,291
Total Salaries And Related Expenses	475,061	44,727	237,027	756,815
Fundraising	-	-	52,878	52,878
Rental and maintenance equipment	11,931	1,639	2,590	16,160
Summer program	8,160	-	-	8,160
After school program	50,235	-	-	50,235
Occupancy	18,815	2,317	2,353	23,485
Charter school	15,405	-	-	15,405
Office	8,696	1,864	1,864	12,424
Insurance	21,272	2,659	2,659	26,590
Marketing	3,614	-	-	3,614
Miscellaneous	6,981	3,409	3,913	14,303
Professional fees	14,110	3,023	3,024	20,157
Supplies	8,695	107	107	8,909
Training and staff development	18,250	-	-	18,250
Telephone	2,976	372	372	3,720
Bank and credit card charge	1,624	348	335	2,307
Meals and entertainment	1,589	340	341	2,270
Membership dues	-	296	-	296
Total Expenses Before Depreciation	667,414	61,101	307,463	1,035,978
Depreciation	74,847	9,356	9,356	93,559
Total Expenses	$ 742,261	70,457	316,819	1,129,537

SCHEDULES OF FUNCTIONAL EXPENSES

	For The Year Ended December 31, 2012			
	Program Services	Management And General	Fundraising	Total
Salaries and related expenses:				
Compensation of officers	$ 22,174	35,480	31,044	88,698
Other salaries and wages	290,151	1,580	122,630	414,361
Payroll taxes and processing fees	64,802	13,610	20,984	99,396
Total Salaries And Related Expenses	377,127	50,670	174,658	602,455
Fundraising	-	-	68,825	68,825
Rental and maintenance equipment	16,000	6,486	-	22,486
Summer program	24,669	-	-	24,669
After school program	27,016	-	-	27,016
Occupancy	19,677	1,256	-	20,933
Insurance	18,729	1,283	-	20,012
Miscellaneous	-	23,191	-	23,191
Accounting fees	-	21,071	-	21,071
Supplies	12,861	24,375	-	37,236
Training and staff development	12,082	-	-	12,082
Telephone	2,322	1,670	-	3,992
Program evaluation	990	-	-	990
Bank and credit card charge	-	1,952	-	1,952
Meals and entertainment	-	1,292	-	1,292
Membership dues	-	2,916	-	2,916
Total Expenses Before Depreciation	511,473	136,162	243,483	891,118
Depreciation	91,576	16,161	-	107,737
Total Expenses	$ 603,049	152,323	243,483	998,855