

Apex for Youth, Inc.

Audited Financial Statements

July 31, 2023

Apex for Youth, Inc.

Audited Financial Statements

July 31, 2023

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14



Independent Auditor's Report

To the Board of Directors of
Apex for Youth, Inc.

Opinion

We have audited the accompanying financial statements of Apex for Youth, Inc. (the "Organization"), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of July 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Sax CPAs LLP

New York, NY
May 7, 2024

Apex for Youth, Inc.

Statement of Financial Position

At July 31, 2023

ASSETS

Cash and cash equivalents	\$ 3,405,899
Pledges and grants receivable	2,119,322
Prepaid expenses	91,766
Fixed assets, net	111,347
Security deposits	121,810
Operating lease right-of-use ("ROU") assets	<u>1,652,592</u>
TOTAL ASSETS	<u><u>\$ 7,502,736</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 288,103
Deferred revenue	91,759
Operating lease obligation	<u>1,806,575</u>
Total liabilities	<u>2,186,437</u>

NET ASSETS

Without donor restrictions	4,536,420
With donor restrictions	<u>779,879</u>
Total net assets	<u>5,316,299</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,502,736</u></u>
---	-----------------------------------

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

Apex for Youth, Inc.

Statement of Activities

For the Year Ended July 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Government grants	\$ 453,516	\$ -	\$ 453,516
Contributions	1,074,489	1,577,397	2,651,886
Special events (net of expenses with a direct benefit to donors)	2,809,115	-	2,809,115
In-kind donations	223,090	-	223,090
Program income	155,235	-	155,235
Other income	155,193	-	155,193
Net assets released from restrictions	1,096,273	(1,096,273)	-
Total public support and revenue	<u>5,966,911</u>	<u>481,124</u>	<u>6,448,035</u>
EXPENSES			
Program services	4,251,582	-	4,251,582
Management and general	502,318	-	502,318
Fundraising	670,701	-	670,701
Total expenses	<u>5,424,601</u>	<u>-</u>	<u>5,424,601</u>
Change in net assets	542,310	481,124	1,023,434
NET ASSETS - beginning of year	<u>3,994,110</u>	<u>298,755</u>	<u>4,292,865</u>
NET ASSETS - end of year	<u>\$ 4,536,420</u>	<u>\$ 779,879</u>	<u>\$ 5,316,299</u>

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

Apex for Youth, Inc.

Statement of Functional Expenses

For the Year Ended July 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 2,528,147	\$ 240,291	\$ 411,608	\$ 3,180,046
Payroll taxes and fringe benefits	494,575	47,280	80,252	622,107
Occupancy	422,089	23,449	23,449	468,987
Professional fees	182,585	130,690	27,847	341,122
Travel	3,186	305	517	4,008
Supplies and office expenses	267,366	1,845	1,845	271,056
Telephone and communication	5,699	2,434	690	8,823
Insurance	28,689	1,594	1,594	31,877
Professional development	69,704	6,664	11,310	87,678
Dues and subscriptions	19,195	3,839	2,559	25,593
Printing	4,622	924	616	6,162
Postage	1,689	338	225	2,252
Scholarships	52,713	-	-	52,713
Marketing and communications	78,870	7,540	104,034	190,444
Bank fees	30,280	6,056	4,037	40,373
Bad debt expense	-	5,000	-	5,000
Event expense	62,173	69	118	62,360
Depreciation	-	24,000	-	24,000
Total expenses	\$ 4,251,582	\$ 502,318	\$ 670,701	\$ 5,424,601

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

Apex for Youth, Inc.

Statement of Cash Flows

For the Year Ended July 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,023,434
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	24,000
Changes in operating assets and liabilities:	
Change in operating lease right-of-use assets and liability	153,983
Pledges and grants receivable	(1,314,990)
Prepaid expenses	21,120
Security deposits	27,895
Accounts payable and accrued expenses	(90,580)
Deferred revenue	7,979
Net cash flows used for operating activities	<u>(147,159)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(111,344)
Net cash flows used for Investing activities	<u>(111,344)</u>
Net decrease in cash and cash equivalents	(258,503)

CASH AND CASH EQUIVALENTS, *beginning of year*

3,664,402

CASH AND CASH EQUIVALENTS, *end of year*

\$ 3,405,899

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for taxes	<u>\$ -</u>
Cash paid during the year for interest	<u>\$ -</u>

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

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 1 - Organization

Apex for Youth, Inc. (the "Organization") empowers underserved Asian and immigrant youth from low-income families in New York City and beyond.

Founded under the laws of the State of New York in 1992, the Organization serves youth through programming focusing on health and well-being, education, and community engagement, with volunteers who support and mentor students of all ages to build the next generation of tomorrow's change makers. Through participating in the Organization's programs, the youth become confident, college and career ready, and poised to give back to their community.

The Organization solicits funds from a wide variety of sources including private foundations, businesses, government agencies and individuals. These activities can include various types of solicitations, holding of fund-raising events and other methods of donation solicitation.

The Organization's afterschool program is carried out mainly through a contract with the New York City Department of Youth and Community Development ("DYCD").

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Organization reports information regarding their financial position and activities in the following classes of net assets:

Net Asset Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

- *Net Assets without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

b. Recently Adopted Accounting Standard

Effective July 1, 2022, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected transition relief that allows entities, in the period of adoption, to present the current period under FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing FASB ASU No. 2016-02, the Organization recognized right-of-use ("ROU") assets of \$2,015,578 and lease liabilities totaling \$2,015,578 in its statement of financial position as of the July 1, 2022 commencement date of their lease for space. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended July 31, 2023.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

c. Revenue Recognition

The Organization follows FASB ASU No. 2014-09 (Topic 606), "*Revenue from Contracts with Customers*." This standard, along with its related amendments, requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Program income falls under FASB ASC 606 and is recognized as the performance obligation is satisfied over the service period, Payments received in advance of performing services are recoded as deferred income and will be recognized as income in the period earned. Program fees that have yet to be collected at year end are reflected as receivables.

Fundraising revenue (special event income) is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under FASB ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized over time at the time the fundraising event occurs. The Organization's special events revenue and any direct benefit to donors are typically insignificant to financial statements as a whole.

The Organization follows the requirements of FASB ASC 958-605 for recording contributions, which are recognized when contributions become unconditional in nature. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used and the specific purpose used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

d. In-Kind Donations

The Organization recognizes and records contributions of donated non-cash assets at their fair value in the period received. Contributions of donated services that require specialized skills are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The balance of in-kind donations was \$223,090 including \$123,090 of videographer services, \$80,000 of design services and \$20,000 of supplies for the year ended July 31, 2023.

e. Support without Donor Restrictions and Revenue from Special Events

Special event revenue is comprised of payments received from third parties to support and /or attend fundraising events. Special event revenue includes an exchange transaction component for the value of the goods or services rendered, which follows revenue recognition guidance under FASB ASC 606. The amount paid by third parties that is above the value of goods or services is considered a conditional contribution. Revenue is recognized at the time the fundraising event occurs.

f. Income Tax Status

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). This IRC section enables the Organization to accept donations which qualify as charitable contributions to the donor. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Accordingly, no provision for income taxes has been made in the financial statements. In addition, the Organization has no unrelated business income which could be taxable. The Organization files with the Internal Revenue Service Form 990, "Return of Organization Exempt from Income Tax" and the related State and local exempt organization returns as required.

The Organization follows the provisions of FASB ASC 740-10-25. The provisions prescribe a recognition threshold and measurement attribute for uncertain tax positions taken or expected to be taken in income tax returns. The positions are judged whether they meet the "more-likely-than-not" threshold based upon the technical merits of the positions. The Organization believes that it does not have any uncertain tax positions.

The Organization's 2020, 2021 and 2022 tax years are open and subject to examination by the tax authorities. However, the Organization is not currently under examination, nor has it been contacted by any of the tax authorities.

g. Use of Estimates

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

h. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all demand deposits, money market funds and other short-term liquid investments with original maturities of three months or less to be cash equivalents.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

i. Pledges and Government Grants Receivable

The Organization records pledges receivable and contribution revenue based on pledges received. On a periodic basis, the Organization evaluates pledges receivable balances and makes collection efforts for items 90 days or older. Pledges receivable are written off when all reasonable collection efforts have been exhausted. The Organization considers the pledges receivable at July 31, 2023 to be fully collectible and there were no reserves or write offs during 2023. The Organization records grants receivable, and revenues based on the budget approved and services provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the contracts. To the extent amounts received exceed amounts spent, the Organization records deferred revenues.

j. Property, Equipment, and Depreciation

Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. Items with a value of \$5,000 or more with estimated useful lives of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, principally five years.

Periodically, management reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is measured by comparing the carrying value of the asset to the sum of the expected future cash flows (undiscounted and without interest charges) resulting from the use of the asset and its eventual disposition. The Organization did not have any impairment of assets during the year ended July 31, 2023.

k. Leases

Prior to the implementation of FASB ASC 842 as discussed in Note 1b, the Organization recorded rent on the straight-line basis over the life of the lease in accordance with FASB ASC 840. Under this regulation, rent was accrued when rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease. As future payments exceeded the annual expense recognized, deferred rent was reduced.

Under FASB ASC 842, which was adopted as of August 1, 2022, the Organization determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The change in operating lease right-of-use assets and liability on the statement of cash flows includes the amortization of the ROU asset and cash payments for leases offset by the accretion of the discounted lease liability. Operating lease expense is recognized on a straight-line basis over the lease term.

The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

l. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Rent - occupancy and supported housing and depreciation were allocated on a square footage basis. Salaries, payroll taxes and fringe benefits, professional fees and insurance were allocated on an estimate of time and effort.

m. New Accounting Pronouncement

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The new ASU replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit-loss estimates. The update requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. For private companies and not-for-profit organizations, the update is effective for fiscal years beginning after December 15, 2022.

The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

Note 3 - Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed the Federal Deposit Insurance Corporation's ("FDIC") insured limits of \$250,000 per financial institution. At July 31, 2023, the cash balance in excess of FDIC insured limits was approximately \$3,200,000. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to these cash accounts.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 4 - Net Assets with Donor Restrictions

The following summarizes net assets with donor restrictions:

	July 31, 2023			
	Beginning Balance 8/1/22	Contributions	Released from Restrictions	Ending Balance 7/31/23
Program restrictions:				
College Scholarships	\$ 9,000	\$ 565,000	\$ (72,163)	\$ 501,837
Mental Health Program	158,187	115,000	(266,655)	6,532
College Access Program	95,000	15,000	(102,038)	7,962
Fiscal Sponsoree	6,568	62,397	(65,063)	3,902
AAPI Equity	-	450,000	(450,000)	-
Community Network Program	30,000	-	(30,000)	-
Athletics Program	-	40,000	(19,945)	20,055
Summer Internship Program	-	150,000	(90,409)	59,591
Total program restrictions	298,755	1,397,397	(1,096,273)	599,879
Time	-	180,000	-	180,000
Total	\$ 298,755	\$ 1,577,397	\$(1,096,273)	\$ 779,879

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Furniture and equipment	\$ 111,114
Equipment	77,536
Leasehold improvements	50,178
	238,828
Less: accumulated depreciation	(127,481)
Total fixed assets, net	\$ 111,347

Depreciation expense for the year ended July 31, 2023 was \$24,000.

Note 6 - Retirement Plan

The Organization sponsors a defined contribution 401(k) plan. The plan covers substantially all full-time employees who meet certain age and service requirements. Under the terms of the plan, contributions are made under Section 413 of the Internal Revenue Code and are invested at the discretion of the plan participants in an investment portfolio comprised of various funds. The Organization may make an annual discretionary contribution to the plan.

The discretionary contribution charged to expense was \$19,991 for the year ended July 31, 2023.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 7 - Lease Commitments

The Organization evaluated current contracts to determine which met the criteria of a lease. The Organization has a lease for office space in New York with an unrelated third party for five years starting in August 2022. This lease has been determined to be an operating lease.

The ROU assets represent the Organization's right to use the underlying asset for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of July 31, 2023 was 4.18%. As of July 31, 2023, the weighted average remaining lease term for the Organization's operating lease was 60 months.

For the year ended July 31, 2023, total operating lease cost was \$414,305. Cash paid for operating leases for the year ended July 31, 2023 was \$206,333. There were no noncash investment and financing transactions related to leasing other than the transition entry described in Note 1b.

Future maturing of the lease liability is presented in the following table:

For the year ending July 31,

2024	\$ 406,000
2025	437,584
2026	450,708
2027	464,228
2028	<u>156,260</u>
Total lease payments	1,914,780
Present discount	<u>(108,205)</u>
Total lease obligation	<u>\$ 1,806,575</u>

Note 8 - Contingencies

Government-supported programs are subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when the audits occur. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements. Management is of the opinion that disallowances, if any, will not be material to the accompanying financial statements.

Apex for Youth, Inc.

Notes to Financial Statements

July 31, 2023

Note 9 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of July 31, 2023 reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

Cash and cash equivalents	\$ 3,405,899
Pledges and grants receivable	<u>2,119,322</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,525,221</u>

As part of the Organization's strategy, management structures its financial assets, consisting of cash and cash equivalents and pledges and grants receivable to be available for its general expenditures and liabilities coming due within one year. The Organization receives cash flow from various government, corporation and individual contributions to fund its programs and activities.

Note 10 - Subsequent Events

The Organization has performed subsequent events procedures through May 7, 2024, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.