Financial Statements and Report of Independent Certified Public Accountants

Year Up, Inc.

December 31, 2013 and 2012

Contents

Grant Thornton

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Report of Independent Certified Public Accountants

Board of Directors
Year Up, Inc.

We have audited the accompanying financial statements of Year Up, Inc. (the "Entity"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, 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 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 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 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 Year Up, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
May 6, 2014

YEAR UP, INC.

Statements of Financial Position

December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ **17,927,896**	$ 13,520,308
Contributions receivable, net of allowance for doubtful pledges of $49,421 at December 31, 2013 and 2012	**25,189,074**	19,084,164
Internship receivable, net of allowance for doubtful accounts of $50,000 at December 31, 2013 and $169,742 at December 31, 2012	**6,690,983**	4,714,158
Public grants receivable	**551,461**	798,416
Prepaid expenses and other assets	**645,355**	1,204,021
Other receivables	**197,041**	321,606
Investments	**8,760,517**	7,911,853
Fixed assets, net	**6,266,440**	7,349,765
Total assets	$ **66,228,767**	$ 54,904,291
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ **2,698,457**	$ 2,314,414
Accrued compensation and withholdings	**1,431,320**	1,944,488
Capital lease obligation	**4,685,131**	4,824,974
Total liabilities	**8,814,908**	9,083,876
Net assets		
Unrestricted	**17,871,623**	14,999,993
Temporarily restricted	**39,542,236**	30,820,422
Total net assets	**57,413,859**	45,820,415
Total liabilities and net assets	$ **66,228,767**	$ 54,904,291

The accompanying notes are an integral part of these financial statements.

YEAR UP, INC.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2013

(with summarized comparative information for the year ended December 31, 2012)

	2013			2012
	Unrestricted	**Temporarily Restricted**	**Total**	
Revenue				
Contributions	**$ 12,582,000**	**$ 25,177,657**	**$ 37,759,657**	$ 28,357,662
Program service fees	**29,301,728**	**-**	**29,301,728**	21,942,374
Grants and contracts	**2,009,102**	**1,397,000**	**3,406,102**	2,313,455
Investment and other miscellaneous income	**840,269**	**-**	**840,269**	402,352
Net assets released from restrictions	**17,852,843**	**(17,852,843)**	**-**	-
Total revenue and releases	**62,585,942**	**8,721,814**	**71,307,756**	53,015,843
Operating expenses				
Student stipends	**12,975,502**	**-**	**12,975,502**	10,039,462
Salary and wages	**30,545,785**	**-**	**30,545,785**	24,900,830
Training and other	**8,714,321**	**-**	**8,714,321**	5,950,956
Professional fees	**2,351,383**	**-**	**2,351,383**	2,471,473
Rent expense	**2,811,496**	**-**	**2,811,496**	2,686,105
Depreciation and amortization	**2,031,668**	**-**	**2,031,668**	1,979,018
Interest expense on capital lease	**284,157**	**-**	**284,157**	292,281
Total operating expenses	**59,714,312**	**-**	**59,714,312**	48,320,125
Change in net assets	**2,871,630**	**8,721,814**	**11,593,444**	4,695,718
Net assets, beginning of year	**14,999,993**	**30,820,422**	**45,820,415**	41,124,697
Net assets, end of year	**$ 17,871,623**	**$ 39,542,236**	**$ 57,413,859**	$ 45,820,415

The accompanying notes are an integral part of this financial statement.

YEAR UP, INC.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	$ 11,227,326	$ 17,130,336	$ 28,357,662
Program service fees	21,942,374	-	21,942,374
Grants and contracts	2,263,455	50,000	2,313,455
Investment and other miscellaneous income	402,352	-	402,352
Net assets released from restrictions	13,650,697	(13,650,697)	-
Total revenue and releases	49,486,204	3,529,639	53,015,843
Operating expenses			
Student stipends	10,039,462	-	10,039,462
Salary and wages	24,900,830	-	24,900,830
Training and other	5,950,956	-	5,950,956
Professional fees	2,471,473	-	2,471,473
Rent expense	2,686,105	-	2,686,105
Depreciation and amortization	1,979,018	-	1,979,018
Interest expense on capital lease	292,281	-	292,281
Total operating expenses	48,320,125	-	48,320,125
Change in net assets	1,166,079	3,529,639	4,695,718
Net assets, beginning of year	13,833,914	27,290,783	41,124,697
Net assets, end of year	$ 14,999,993	$ 30,820,422	$ 45,820,415

The accompanying notes are an integral part of this financial statement.

YEAR UP, INC.

Statements of Cash Flows

Years ended December 31, 2013 and 2012

		2013		2012
Cash flows from operating activities:				
Change in net assets	**$**	**11,593,444**	$	4,695,718
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation and amortization		**2,031,668**		1,979,018
Realized/unrealized gain on investments		**(434,236)**		(152,635)
Contributed fixed assets		**(103,200)**		(188,328)
Increase (decrease) in cash and cash equivalents due to a change in:				
Contributions receivable		**(6,104,910)**		337,593
Internship, public grant, and other receivables		**(1,605,305)**		(1,206,220)
Prepaid expenses and other assets		**558,666**		(763,191)
Accounts payable and accrued expenses		**(129,125)**		918,316
Net cash provided by operating activities		**5,807,002**		5,620,271
Cash flows from investing activities:				
Purchase of fixed assets		**(845,141)**		(887,696)
Sales of investments		**2,553,122**		6,625,719
Purchases of investments		**(2,967,552)**		(6,761,959)
Net cash used in investing activities		**(1,259,571)**		(1,023,936)
Cash flows from financing activities:				
Principal payments - capital lease obligation		**(139,843)**		(131,718)
Net cash used in financing activities		**(139,843)**		(131,718)
Increase in cash and cash equivalents		**4,407,588**		4,464,617
Cash and cash equivalents at beginning of year		**13,520,308**		9,055,691
Cash and cash equivalents at end of year	**$**	**17,927,896**	$	13,520,308

Supplemental Disclosures of Cash Flows Information:

Cash paid during the year for interest	**$**	**284,157**	$	292,281
Donated fixed assets	**$**	**103,200**	$	188,328

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Year Up's mission is to close the opportunity divide by providing urban young adults with the skills, experience and support that will empower them to reach their potential through professional careers and higher education. Year Up achieves this mission through a high support, high expectations model that combines marketable job skills, stipends, internships, college credit, a behavior management system and several levels of support to place these young adults on a viable path to economic self-sufficiency.

The Entity was incorporated on October 11, 2000, and has fully operational program sites in Boston, Massachusetts; Providence, Rhode Island; Arlington, Virginia; New York, New York; San Francisco, California; Atlanta, Georgia; Chicago, Illinois; Baltimore, Maryland; Seattle, Washington; Philadelphia, PA; and Miami, FL.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the reporting principles of not-for-profit accounting.

The Entity classifies resources into net asset classes in accordance with donor-imposed restrictions. A description of these categories follows:

- **Unrestricted** - Net assets are resources over which the Entity has unrestricted discretionary control.
- **Temporarily Restricted** - Net assets whose use by the Entity is limited by donor-imposed stipulations or by law that either expire by passage of time or that can be fulfilled or removed by actions of the Entity pursuant to those stipulations.
- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Entity. Generally, the donor of these assets permits the Entity to use all or part of the income earned and capital gain if any, on related investments for general or specific purposes.

  The Entity had no permanently restricted net assets at December 31, 2013 and 2012.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in money market and checking accounts which are insured up to the federal limit by the Federal Deposit Insurance Corporation. Cash and cash equivalents have maturities at date of purchase of three months or less. At times, the cash balance maintained at a single institution may exceed federally insured limits. The Entity has not experienced any losses in these accounts.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments consist of mutual funds, exchange traded funds and corporate bonds which have maturities in excess of three months. Investments are carried at fair value. Changes in fair values are reflected in the Statement of Activities and Changes in Net Assets as investment income.

Contributions

A contribution is an unconditional transfer of cash or other assets. Other assets include securities, land, buildings, use of facilities or utilities, materials and supplies, services, and unconditional promises to give those items in the future.

Contributions received, including unconditional promises to give, are recognized as revenues or gains when the donor's commitment is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Contributions received are measured at their fair values at the date of receipt and are reported as restricted or unrestricted based upon the existence or absence of donor-imposed restrictions.

Unconditional promises to give are included in the financial statements as contributions receivable and revenue for the appropriate net asset category and are recorded after discounting to the present value of the expected future cash flows. The Entity does not record conditional pledges until conditions have been met.

Contributed Fixed Assets, Services and Space

The Entity recognizes contribution revenue for certain services, space and fixed assets that would be purchased if not donated, at the fair value of those items. Fixed assets are recorded as temporarily restricted revenue when received and are released to unrestricted net assets over the useful life of the asset, corresponding with the related depreciation expense recognized. During the years ended December 31, 2013 and 2012 the Organization received a restricted gift of fixed assets valued at $103,200 and $188,328. During 2013 and 2012, $834,001 and $372,110 were released to cover depreciation on the contributed fixed assets, respectively.

During the year ended December 31, 2010, the Entity received a restricted gift of discounted rent valued at $1,847,164. During 2013 and 2012 the Entity released $372,110 to cover rent expense which is reflected in the net assets released from restrictions in the statement of activities and changes in net assets. This is calculated as the difference between the estimated market rate of rental payments and the actual lease payments, from the date of occupancy through to the end of the lease term, July 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In-kind contributions are included in contributions in the accompanying statement of activities and changes in net assets and include the following items:

	December 31, **2013**	December 31, 2012
Fixed assets	**$ 103,200**	$ 188,328
Legal services	**662,659**	404,515
Consulting services	**19,500**	13,650
Rental space	**372,110**	372,110
Other in-kind gifts	**1,227,463**	1,284,896
	$ 2,384,932	$ 2,263,499

Program Service Fees

As part of its program, Year Up places students in internships at various corporations during the second six months of the program. The internship phase provides students with the opportunity to practice and develop the skills learned during the first six months of the program. In addition to providing a hands-on learning opportunity to a Year Up intern, the corporations make a payment to Year Up for its participation in the internship program, recognizing the value of underwriting the training and education of this future talent pipeline. The revenue generated from the internship program pays for the stipends, college credits, and support given to all program participants as well as offsets the operating costs of the program.

Grants and Contracts

Federal, State, and City government grant and contract revenue is recognized when the corresponding program expenditures are made, or when milestones are reached, in accordance with the terms of the related contracts.

Fixed Assets

Equipment purchased by the Entity is recorded at cost. Donated equipment is recorded at fair value at the date of the gift. Depreciation and amortization are computed using the straight-line method over the assets' estimated useful life. The half-year convention is used for calculating depreciation in the year of acquisition. Estimated useful lives are as follows: 30 years for the building, the life of the lease for building and leasehold improvements, 5 years for furniture and fixtures, and 3 years for computer equipment.

Advertising Expense

Advertising costs are expensed at the time they are incurred. Advertising expense for the years ended December 31, 2013 and 2012 was $413,783 and $109,983, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Entity is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Entity is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements

Functional Allocation of Expenses

The costs of the program and other activities have been summarized on a functional basis in Note E. Methods used in allocating these costs include actual expenses incurred and proportional percentage allocation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - INVESTMENTS

Investments consist of the following major categories at December 31:

	2013	2012
Equity funds	$ **2,460,192**	$ 2,072,917
Fixed income securities	**6,300,325**	5,838,936
	$ **8,760,517**	$ 7,911,853

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 are expected to be realized in the following periods.

	2013	2012
In less than one year	**$ 13,202,792**	$ 8,264,942
Between one year and five years	**12,650,855**	11,378,180
Total contributions receivable	**25,853,647**	19,643,122
Less: present value discount	**615,152**	509,537
allowance for doubtful accounts	**49,421**	49,421
Contributions receivable, net	**$ 25,189,074**	$ 19,084,164

The present value discount was calculated using a discount factor which ranged from 1.14% to 4.01%.

Conditional Pledges

The Entity has a policy to not record conditional pledges until conditions have been met. The Entity has $11,878,856 and $10,961,050 of conditional pledges as of December 31, 2013 and 2012 respectively, which will be recorded in the financial statements once the conditions have been met.

NOTE D - FIXED ASSETS

Fixed assets consist of the following at December 31:

	2013	2012
Building and leasehold improvements	**$ 1,831,410**	1,636,898
Building (Capital Lease, see Note G)	**5,092,939**	5,092,939
Furniture and fixtures	**714,188**	636,942
Computer equipment	**7,533,659**	6,879,685
	15,172,196	14,246,464
Less: accumulated deprecation and amortization	**8,905,756**	6,896,699
Fixed assets, net	**$ 6,266,440**	$ 7,349,765

For the years ended December 31, 2013 and 2012, the Organization expensed $2,031,668 and $1,979,018 respectively, of depreciation and amortization.

NOTE E - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses, as presented in the statements of activities, when shown by functional classification for the period ended December 31 are as follows:

	2013	2012
Training programs	**$ 47,765,257**	$ 39,796,021
Management and general	**7,038,938**	4,170,330
Fundraising	**4,910,117**	4,353,774
Total expenses	**$ 59,714,312**	$ 48,320,125

NOTE F - OPERATING LEASE

The following is a schedule of combined future rental payments under operating leases:

Year Ending December 31,	
2014	$ 1,742,316
2015	2,379,311
2016	2,464,265
2017	2,271,026
2018	1,540,023
Thereafter	8,575,946
	$ 18,972,887

Rent expense for the years ended December 31, 2013 and 2012 was $2,811,496 and $2,686,105, respectively. Rent expense is recorded on a straight line basis for the Entity's operating leases. As a result of certain rent holidays and escalation clauses included in the leases noted above, deferred rent liabilities totaling $771,551 and $723,496 for 2013 and 2012, respectively, are included in accrued expenses in the statements of financial position.

NOTE G - CAPITAL LEASE

The Entity leases a Boston location used in its operations under a capital lease agreement that expires in 2016. The future minimum annual lease payments under this lease are as follows:

Year Ending December 31, 2013	Amount
2014	$ 424,000
2015	424,000
2016	4,568,000
Total minimum lease payments	5,416,000
Less: interest	730,869
	$ 4,685,131

NOTE H - LINE OF CREDIT

On August 30, 2006, the Entity entered into a revolving line of credit agreement with Citizens Bank. At the request of the Entity that line of credit has subsequently been closed and all UCC documentation terminated. On January 22, 2014, the Entity entered into a new revolving line of credit agreement with Bank of America in the amount $5,000,000. The line of credit is collateralized by the business assets of the Entity. The note is payable on demand. Until demand is made, the Entity is required to make monthly payments equal to the sum of accrued interest at the close of the billing cycle. The Entity will pay in full, any principal interest or other charges outstanding on this facility no later than the facility expiration date. Interest is equal to the Libor Daily Floating rate plus 1.4 percentage points. The agreement stipulates that the Entity not incur any additional debt, other than in the ordinary course of business during the term of the line of credit. The Entity did not draw on the line of credit during 2013 or 2012.

NOTE I - RETIREMENT PLAN

The Entity has a defined contribution pension plan covering eligible employees. Participants can make an elective deferral for any plan year of their eligible compensation, not to exceed the annual dollar limit as permitted by law. The Entity elects to make a matching contribution. During 2013 and 2012, the Entity made matching contributions of 100% of the first 5% of a participant’s compensation contributed to the plan. For the years ended December 31, 2013 and 2012, the Entity contributed $557,854 and $513,843, respectively.

NOTE J - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Entity has categorized its financial assets, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded in the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 - Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market which the Entity has the ability to access at the measurement date (examples include active exchange-traded equity securities and most U.S. Government and agency securities).

- Level 2 - Financial assets whose values are based on quoted market prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets.

- Level 3 - Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset. The Entity does not currently have any Level 3 financial assets.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

Fixed Income Securities: Valued at the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

December 31, 2013	Level 1	Level 2	Level 3	Total
Equity funds	$ 2,460,192	$ -	$ -	$ 2,460,192
Fixed income securities	-	6,300,325	-	6,300,325
Total assets	$ 2,460,192	$ 6,300,325	$ -	$ 8,760,517

NOTE J - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

December 31, 2012

	Level 1	Level 2	Level 3	Total
Equity funds	$ 2,072,917	$ -	$ -	$ 2,072,917
Fixed income securities	-	5,838,936	-	5,838,936
Total assets	$ 2,072,917	$ 5,838,936	$ -	$ 7,911,853

The Entity recognizes transfers between fair value hierarchy levels at the approximate date of change in circumstances that causes the transfer. There were no significant transfers between fair value hierarchy levels during the years ended December 31, 2013 and 2012.

The following are the assets and liabilities of the Entity measured at fair value on a non-recurring basis for the years ended December 31, 2013 and December 31, 2012.

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Contributions receivable	**$**	**$**	**$ 25,189,074**	**25,189,074**
	$ -	**$ -**	**$ 25,189,074**	**25,189,074**
Liabilities				
Capital Lease obligation	**$**	**$**	**$ 4,685,131**	**4,685,131**
	$ -	**$ -**	**$ 4,685,131**	**4,685,131**

December 31, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Contributions receivable	$ -	$ -	$ 19,084,164	$ 19,084,164
	$ -	$ -	$ 19,084,164	$ 19,084,164
Liabilities				
Capital Lease obligation	$ -	$ -	$ 4,824,974	$ 4,824,974
	$ -	$ -	$ 4,824,974	$ 4,824,974

NOTE K - RELATED PARTY TRANSACTIONS

At December 31, 2013 the balance outstanding on contributions receivable from Board members of the Entity was $1,050,000.

Members of the Board are also members of other not-for-profit boards. The Entity received contributions for the years ended December 31, 2013 and 2012 totaling $2,384,255 and $920,970, respectively, from these other not-for-profit organizations.

A member of the Board of directors is a partner at a law firm that provided pro bono services to the Entity in the amount of $436,352 and $183,565 for the years ended December 31, 2013 and 2012, respectively.

NOTE L - NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2013:

	2013	2012
Time restricted	**$ 1,966,407**	$ 1,879,380
Purpose restricted	**37,575,829**	28,941,042
	$ 39,542,236	$ 30,820,422

Opportunity Campaign

Included in temporarily restricted net assets is $32,228,430 and $23,204,527 at December 31, 2013 and 2012, respectively, raised as Opportunity Campaign investments. These funds were raised from philanthropic investors providing equity-like capital necessary to meet the Phase III Growth plan for the years 2012 through 2016. The use of Opportunity Campaign Funds is, until January 1, 2017, restricted toward achieving a positive change in unrestricted net assets for the fiscal year of a magnitude up to (but not more than) 10% of the fiscal year's operating expenses.

Based on the stipulations of the subscription agreement detailed above, management has released from restricted Opportunity Campaign Fund amounts to result in a positive change in unrestricted net assets of approximately 5% of the fiscal year's 2013 and 2012 operating expenses, respectively.

During 2013 and 2012, the amounts released from the Opportunity Campaign fund were $8,841,296 and $3,986,873 respectively, which is included in the net assets released from restriction.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 6, 2014, which is the date the financial statements were available for issuance. There were no subsequent events that require adjustment to or disclosure in the financial statements.