YEAR UP, INC. AND AFFILIATE

CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

YEAR UP, INC. AND AFFILIATE

Contents
December 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
Year Up, Inc. and Affiliate:

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Year Up, Inc. (a Massachusetts corporation, not for profit) and Affiliate, which comprise the consolidating statements of financial position as of December 31, 2015 and 2014, and the related consolidating statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating 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 audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Year Up, Inc. and Affiliate as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
May 11, 2016

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Financial Position
December 31, 2015 and 2014

	2015						2014					
	Year Up, Inc.						Year Up, Inc.					
Assets	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total
Current Assets:												
Cash and cash equivalents	$ 11,783,025	$ 13,302,174	$ 25,085,199	$ 149,593	$ -	$ 25,234,792	$ 17,511,745	$ 4,386,705	$ 21,898,450	$ 342,509	$ -	$ 22,240,959
Current portion of grants and pledges receivable, net	882,864	13,089,204	13,972,068	-	-	13,972,068	839,046	8,443,182	9,282,228	-	-	9,282,228
Internship receivable, net	9,060,086	-	9,060,086	472,840	-	9,532,926	5,657,915	-	5,657,915	50,716	-	5,708,631
Prepaid expenses and other	2,875,191	-	2,875,191	79,239	-	2,954,430	1,717,559	-	1,717,559	-	-	1,717,559
Total current assets	24,601,166	26,391,378	50,992,544	701,672	-	51,694,216	25,726,265	12,829,887	38,556,152	393,225	-	38,949,377
Grants and Pledges Receivable, net of current portion	-	20,889,340	20,889,340	-	-	20,889,340	-	7,615,664	7,615,664	-	-	7,615,664
Investments	-	9,427,984	9,427,984	-	-	9,427,984	-	13,708,651	13,708,651	-	-	13,708,651
Investment in YUPRO	480,000	-	480,000	-	(480,000)	-	480,000	-	480,000	-	(480,000)	-
Property and Equipment, net	20,266,474	-	20,266,474	-	-	20,266,474	8,919,715	119,792	9,039,507	-	-	9,039,507
Total assets	$ 45,347,640	$ 56,708,702	$ 102,056,342	$ 701,672	$ (480,000)	$ 102,278,014	$ 35,125,980	$ 34,273,994	$ 69,399,974	$ 393,225	$ (480,000)	$ 69,313,199
Liabilities and Net Assets												
Current Liabilities:												
Current portion of capital lease obligation	$ -	$ -	$ -	$ -	$ -	$ -	$ 157,625	$ -	$ 157,625	$ -	$ -	$ 157,625
Accounts payable and accrued expenses	6,651,560	-	6,651,560	462,830	-	7,114,390	3,840,278	-	3,840,278	55,389	-	3,895,667
Current portion of deferred rent	434,256	-	434,256	-	-	434,256	1,334,619	-	1,334,619	-	-	1,334,619
Total current liabilities	7,085,816	-	7,085,816	462,830	-	7,548,646	5,332,522	-	5,332,522	55,389	-	5,387,911
Deferred Rent, net of current portion	12,591,351	-	12,591,351	-	-	12,591,351	3,995,579	-	3,995,579	-	-	3,995,579
Notes Payable	-	-	-	1,000,000	-	1,000,000	-	-	-	800,000	-	800,000
Capital Lease Obligation, net of current portion	-	-	-	-	-	-	4,378,288	-	4,378,288	-	-	4,378,288
Total liabilities	19,677,167	-	19,677,167	1,462,830	-	21,139,997	13,706,389	-	13,706,389	855,389	-	14,561,778
Net Assets:												
Unrestricted	25,670,473	-	25,670,473	(761,158)	(480,000)	24,429,315	21,419,591	-	21,419,591	(462,164)	(480,000)	20,477,427
Temporarily restricted	-	56,708,702	56,708,702	-	-	56,708,702	-	34,273,994	34,273,994	-	-	34,273,994
Total net assets	25,670,473	56,708,702	82,379,175	(761,158)	(480,000)	81,138,017	21,419,591	34,273,994	55,693,585	(462,164)	(480,000)	54,751,421
Total liabilities and net assets	$ 45,347,640	$ 56,708,702	$ 102,056,342	$ 701,672	$ (480,000)	$ 102,278,014	$ 35,125,980	$ 34,273,994	$ 69,399,974	$ 393,225	$ (480,000)	$ 69,313,199

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

Consolidating Statements of Activities
For the Years Ended December 31, 2015 and 2014

	2015						2014					
	Year Up, Inc.						Year Up, Inc.					
	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total
Operating Revenues:												
Program service fees:												
Year Up	$ 41,676,771	$ -	$ 41,676,771	$ -	$ -	$ 41,676,771	$ 34,630,503	$ -	$ 34,630,503	$ -	$ -	$ 34,630,503
YUPRO, net of cost of sales of approximately $2,200,000 and $85,000 at December 31, 2015 and 2014, respectively	-	-	-	418,599	(27,075)	391,524	-	-	-	19,646	-	19,646
Grants and contributions	22,945,137	46,560,836	69,505,973	-	-	69,505,973	19,196,500	15,236,264	34,432,764	-	-	34,432,764
Other revenue	2,963,723	-	2,963,723	-	(6,000)	2,957,723	935,331	-	935,331	-	-	935,331
In-kind goods and services	840,417	(275,265)	565,152	-	-	565,152	2,148,397	(809,494)	1,338,903	-	-	1,338,903
Net assets released from restrictions	23,850,863	(23,850,863)	-	-	-	-	19,232,289	(19,232,289)	-	-	-	-
Total operating revenues	92,276,911	22,434,708	114,711,619	418,599	(33,075)	115,097,143	76,143,020	(4,805,519)	71,337,501	19,646	-	71,357,147
Operating Expenses:												
Direct service	62,600,200	-	62,600,200	-	-	62,600,200	50,156,325	-	50,156,325	-	-	50,156,325
Administrative and fundraising	20,088,198	-	20,088,198	-	(27,075)	20,061,123	15,249,787	-	15,249,787	-	-	15,249,787
Advocacy: influence and alumni	2,343,035	-	2,343,035	-	-	2,343,035	3,840,297	-	3,840,297	-	-	3,840,297
YUPRO	-	-	-	717,593	(6,000)	711,593	-	-	-	961,810	-	961,810
Total operating expenses	85,031,433	-	85,031,433	717,593	(33,075)	85,715,951	69,246,409	-	69,246,409	961,810	-	70,208,219
Changes in net assets before non-cash expenses	7,245,478	22,434,708	29,680,186	(298,994)	-	29,381,192	6,896,611	(4,805,519)	2,091,092	(942,164)	-	1,148,928
Non-Cash Expenses	2,994,596	-	2,994,596	-	-	2,994,596	3,811,366	-	3,811,366	-	-	3,811,366
Changes in net assets	$ 4,250,882	$ 22,434,708	$ 26,685,590	$ (298,994)	$ -	$ 26,386,596	$ 3,085,245	$ (4,805,519)	$ (1,720,274)	$ (942,164)	$ -	$ (2,662,438)

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

Consolidating Statements of Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	Year Up, Inc.					
	Unrestricted	**Temporarily Restricted**	**Total**	**YUPRO**	**Elimination**	**Total**
Net Assets, December 31, 2013, as Restated	$ 18,334,346	$ 39,079,513	$ 57,413,859	$ -	$ -	$ 57,413,859
Year Up investment	-	-	-	480,000	(480,000)	-
Changes in net assets	3,085,245	(4,805,519)	(1,720,274)	(942,164)	-	(2,662,438)
Net Assets, December 31, 2014	21,419,591	34,273,994	55,693,585	(462,164)	(480,000)	54,751,421
Changes in net assets	4,250,882	22,434,708	26,685,590	(298,994)	-	26,386,596
Net Assets, December 31, 2015	$ 25,670,473	$ 56,708,702	$ 82,379,175	$ (761,158)	$ (480,000)	$ 81,138,017

Consolidating Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Year Up	YUPRO	Total	Year Up	YUPRO	Total
Cash Flows from Operating Activities:						
Changes in net assets	$ 26,685,590	$ (298,994)	$ 26,386,596	$ (1,720,274)	$ (942,164)	$ (2,662,438)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Depreciation	1,994,889	-	1,994,889	1,710,718	-	1,710,718
Bad debt	239,800	6,664	246,464	433,800	-	433,800
Realized/unrealized (gain) loss on investments	418,562	-	418,562	(576)	-	(576)
Deferred rent	7,695,409	-	7,695,409	4,558,646	-	4,558,646
Contributed property and equipment	-	-	-	(44,165)	-	(44,165)
Gain on disposal of property and equipment	(2,774,429)	-	(2,774,429)	-	-	-
Changes in operating assets and liabilities:						
Grants and pledges receivables	(17,963,516)	-	(17,963,516)	8,812,148	-	8,812,148
Internship receivable	(3,641,971)	(428,788)	(4,070,759)	629,762	(50,716)	579,046
Prepaid expenses and other	(1,157,632)	(79,239)	(1,236,871)	(875,162)	-	(875,162)
Accounts payable and accrued expenses	1,463,013	407,441	1,870,454	482,053	55,389	537,442
Net cash provided by (used in) operating activities	12,959,715	(392,916)	12,566,799	13,986,950	(937,491)	13,049,459
Cash Flows from Investing Activities:						
Acquisition of property and equipment	(15,622,556)	-	(15,622,556)	(4,439,620)	-	(4,439,620)
Purchases of investments	(6,262,322)	-	(6,262,322)	(12,386,449)	-	(12,386,449)
Sales of investments	10,124,427	-	10,124,427	7,438,891	-	7,438,891
Equity contribution in YUPRO	-	-	-	(480,000)	-	(480,000)
Net cash used in investing activities	(11,760,451)	-	(11,760,451)	(9,867,178)	-	(9,867,178)
Cash Flows from Financing Activities:						
Proceeds from notes payable	-	200,000	200,000	-	800,000	800,000
Net proceeds from sale of property	2,065,484	-	2,065,484	-	-	-
Principal payments on capital lease obligation	(77,999)	-	(77,999)	(149,218)	-	(149,218)
Equity contribution in YUPRO	-	-	-	-	480,000	480,000
Net cash provided by (used in) investing activities	1,987,485	200,000	2,187,485	(149,218)	1,280,000	1,130,782
Net Change in Cash and Cash Equivalents	3,186,749	(192,916)	2,993,833	3,970,554	342,509	4,313,063
Cash and Cash Equivalents:						
Beginning of year	21,898,450	342,509	22,240,959	17,927,896	-	17,927,896
End of year	$ 25,085,199	$ 149,593	$ 25,234,792	$ 21,898,450	$ 342,509	$ 22,240,959
Supplemental Disclosure of Non-Cash Transactions:						
Cash paid for interest	$ 134,367	$ 42,500	$ 176,867	$ 274,782	$ 21,195	$ 295,977
Property and equipment acquired through accounts payable	$ 1,348,269	$ -	$ 1,348,269	$ -	$ -	$ -

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

Consolidating Statements of Functional Expenses
For the Years Ended December 31, 2015 and 2014

	2015						2014					
	Direct Service	Administrative and Fundraising	Advocacy: Influence and Alumni	Total	Eliminations	Total	Direct Service	Administrative and Fundraising	Advocacy: Influence and Alumni	Total	Eliminations	Total
Payroll and Related:												
Salaries	$ 24,731,966	$ 9,647,544	$ 1,037,473	$ 35,416,983	$ -	$ 35,416,983	$ 20,154,949	$ 7,514,464	$ 1,694,980	$ 29,364,393	$ -	$ 29,364,393
Fringe benefits and taxes	7,307,054	2,754,681	235,805	10,297,540	-	10,297,540	5,562,448	2,040,199	474,859	8,077,506	-	8,077,506
Total payroll and related	32,039,020	12,402,225	1,273,278	45,714,523	-	45,714,523	25,717,397	9,554,663	2,169,839	37,441,899	-	37,441,899
Other:												
Program service fees	16,323,020	-	97	16,323,117	-	16,323,117	14,599,318	-	528	14,599,846	-	14,599,846
Occupancy	6,765,807	1,177,271	361	7,943,439	-	7,943,439	3,959,703	636,424	592	4,596,719	-	4,596,719
Consultants and professional services	1,233,741	2,231,560	393,522	3,858,823	(27,075)	3,831,748	892,121	1,772,489	544,251	3,208,861	-	3,208,861
Meals, travel and lodging	1,651,550	1,178,124	118,861	2,948,535	-	2,948,535	1,241,889	807,729	62,172	2,111,790	-	2,111,790
Special events	1,163,283	840,576	76,716	2,080,575	-	2,080,575	821,478	542,150	41,858	1,405,486	-	1,405,486
Office expense	798,806	1,117,170	21,502	1,937,478	-	1,937,478	767,044	508,478	28,265	1,303,787	-	1,303,787
Telecommunication and computers	809,101	671,668	2,797	1,483,566	-	1,483,566	723,332	914,467	-	1,637,799	-	1,637,799
Other program supplies	1,317,472	104,074	7,195	1,428,741	-	1,428,741	946,581	147,801	15,189	1,109,571	-	1,109,571
Advertising	363,997	211,805	448,545	1,024,347	-	1,024,347	384,749	232,666	976,740	1,594,155	-	1,594,155
Training events and institutes	134,403	153,725	161	288,289	-	288,289	102,713	132,920	863	236,496	-	236,496
Total other	30,561,180	7,685,973	1,069,757	39,316,910	(27,075)	39,289,835	24,438,928	5,695,124	1,670,458	31,804,510	-	31,804,510
Total operating expenses before YUPRO	62,600,200	20,088,198	2,343,035	85,031,433	(27,075)	85,004,358	50,156,325	15,249,787	3,840,297	69,246,409	-	69,246,409
YUPRO	717,593	-	-	717,593	(6,000)	711,593	961,810	-	-	961,810	-	961,810
Total operating expenses	$ 63,317,793	$ 20,088,198	$ 2,343,035	$ 85,749,026	$ (33,075)	$ 85,715,951	$ 51,118,135	$ 15,249,787	$ 3,840,297	$ 70,208,219	$ -	$ 70,208,219

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Year Up, Inc.'s (Year Up) 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.

Year Up 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; San Jose, California; Atlanta, Georgia; Chicago, Illinois; Baltimore, Maryland; Seattle, Washington; Philadelphia, Pennsylvania; Miami, Florida; Jacksonville, Florida; and Phoenix, Arizona.

Year Up Professional Resource, PBC (YUPRO) is a wholly-owned subsidiary of Year Up, and a public benefit corporation organized under Subchapter XV of Chapter 1 of Title 8 of the General Corporate Law of the State of Delaware. YUPRO was incorporated on March 16, 2014, and its mission is to support the career development of low-income young adults who have successfully participated in post-secondary training programs through job placement, recruiting and further skills training. YUPRO operates out of the State of Colorado.

Basis of Presentation

Year Up and YUPRO (collectively, the Entity) prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

Year Up owns all of the outstanding shares of YUPRO. Accordingly, the consolidating financial statements include the financial activity of both entities as of and for the years ended December 31, 2015 and 2014. All significant intercompany balances and transactions have been eliminated (see Note J).

Net Assets

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are held in money market, certificates of deposit and checking accounts. Cash and cash equivalents have maturities at date of purchase of three months or less.

Contributed Property and Equipment, Services and Space

Year Up recognizes contribution revenue for certain services, space and property and equipment that would be purchased if not donated, at the fair value of those items. Property and equipment are recorded as temporarily restricted revenue when received and are released to unrestricted net assets over the useful life of the asset, to cover the related depreciation expense recognized.

Contributed equipment consists of the following at December 31:

	2015	2014
Computer equipment	$ 189,528	$ 189,528
Software	2,408,240	2,408,240
	2,597,768	2,597,768
Less - accumulated depreciation and amortization	2,558,486	2,477,976
Contributed property and equipment, net	$ 39,282	$ 119,792

For the years ended December 31, 2015 and 2014, Year Up expensed $80,510 and $481,549, respectively, of deprecation on contributed equipment. For the year ended December 31, 2014, Year Up received a restricted gift of property and equipment valued at $44,165.

During the year ended December 31, 2010, Year Up received a restricted gift of discounted rent valued at $1,847,164. Pursuant to the gift in 2015 and 2014, Year Up released $194,755 and $372,110, respectively, to unrestricted net assets to cover building rental expense. Due to early termination of the lease, the restricted gift was released in full as of August 2015.

In-kind contributions include the following items:

	2015	2014
Legal services	$ 375,234	$ 518,189
Rental space	194,755	372,110
Telecommunications and computers	162,000	355,549
Depreciation	80,510	481,549
Other in-kind gifts	27,918	-
Consulting services	-	405,000
Meals, travel and lodging	-	16,000
	$ 840,417	$ 2,148,397

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of mutual funds, corporate bonds, equities, public REITs, and hedge funds which have maturities in excess of three months. Changes in fair values are included in other revenue in the accompanying consolidating statements of activities (see page 13 and Note B).

Revenue Recognition

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, including unconditional promises to give, are recognized as revenues, assets or decreases in liabilities depending on the form of the benefits received. Contributions are recorded at their fair value and are reported as restricted or unrestricted based upon the existence or absence of donor-imposed restrictions.

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

The following table represent the sources of Year Up's contributions for the years ended December 31, 2015 and 2014:

	2015		
	Unrestricted	**Temporarily Restricted**	**Total**
Individuals	$ 10,978,787	$ 30,529,337	$ 41,508,124
Foundations	6,995,670	15,360,507	22,356,177
Corporations	2,820,750	670,992	3,491,742
Government	2,149,930	-	2,149,930
	$ 22,945,137	$ 46,560,836	$ 69,505,973

	2014		
	Unrestricted	**Temporarily Restricted**	**Total**
Individuals	$ 6,235,579	$ 5,198,992	$ 11,434,571
Foundations	8,137,858	9,372,452	17,510,310
Corporations	2,599,757	217,320	2,817,077
Government	2,223,306	447,500	2,670,806
	$ 19,196,500	$ 15,236,264	$ 34,432,764

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 learning and development phase. 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 stipends, college credits, and support services for program participants, and other operating costs of the program. Program service fees are recognized in the year the internship occurs. Advance payments are recorded as deferred revenue, which is included in accounts payable and accrued expenses in the accompanying consolidating statements of financial position. Deferred revenue was $306,179 and $69,222 as of December 31, 2015 and 2014, respectively.

Year Up accrues earned income to align with the actual number of weeks each Year Up student was in attendance during the internship phase. Total accrued revenue for 2015 and 2014 was $1,844,956 and $501,091, respectively.

Government 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.

Other Revenue

All other revenue is recognized as earned.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is recorded based on management's analysis of specific accounts and the estimate of additional amounts that may become uncollectible. Accounts are written off against the allowance when they are determined to be uncollectible.

Internship receivables as of December 31, 2015 and 2014, are shown net of allowance of doubtful accounts of $270,362 and $257,757, respectively.

Property and Equipment

Equipment purchased by Year Up 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:

Building	30 years
Building and leasehold improvements	Life of lease
Furniture and fixtures	5 years
Computer equipment	3 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

Advertising costs are expensed at the time they are incurred. Advertising expense for the years ended December 31, 2015 and 2014, was $1,029,426 and $1,601,173, respectively.

Income Taxes

The Entity accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. The Entity has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at December 31, 2015 and 2014. Year Up's information returns and YUPRO's income tax returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Income taxes are provided for the tax effects of transactions reported in the consolidating financial statements and consist of taxes currently due and deferred taxes related primarily to differences between the consolidating financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Future tax benefits are recognized only to the extent that such benefits are more-likely-than-not to be realized. A valuation allowance is recorded when it is more-likely-than-not that a net deferred tax asset will not be realized.

As of December 31, 2015 and 2014, YUPRO has a net operating loss carryforward of approximately $803,700, and $476,800 for Federal tax purposes and Colorado tax purposes. The tax benefit of the net operating loss carryforward has been fully reserved.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Use of Estimates

The preparation of consolidating financial statements in conformity with U.S. GAAP 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 consolidating financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Entity follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Entity would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Entity uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Entity. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting the Entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to fair value measurement.

Investments

Investments are recorded in the consolidating financial statements at fair value. If an investment is directly held by Year Up and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of share in mutual funds are based on share prices reported by the funds at the last business day of the fiscal year (see page 9 and Note B).

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

NOTE B - INVESTMENTS

The following table presents Year Up's investments classified by major categories and presented by level within the valuation framework (see Note A) as of December 31:

2015	Level 1	Level 2	Level 3	Total
Equity funds:				
U.S. Large Cap	$ 1,183,191	$ -	$ -	$ 1,183,191
Other	1,432,837	-	-	1,432,837
Fixed income:				
Investment Grade Taxable Bond	-	4,458,478	-	4,458,478
Other	1,359,451	-	-	1,359,451
Other	994,027	-	-	994,027
Total assets	$ 4,969,506	$ 4,458,478	$ -	$ 9,427,984

2014	Level 1	Level 2	Level 3	Total
Equity funds:				
U.S. Large Cap	$ 1,697,256	$ -	$ -	$ 1,697,256
Other	2,171,084	-	-	2,171,084
Fixed income:				
Investment Grade Taxable Managem Bond	-	5,804,494	-	5,804,494
Other	1,846,908	647,861	-	2,494,769
Other	1,541,048	-	-	1,541,048
Total assets	$ 7,256,296	$ 6,452,355	$ -	$ 13,708,651

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 are valued at Level 2 using the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Year Up believes that the reported amount of its investments is a reasonable estimate of fair value as of December 31, 2015 and 2014. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

Investment activity is included in other revenue in the accompanying consolidating statements of activities and consisted of the following at December 31:

	2015	2014
Investment interest and dividends	$ 325, 900	$ 262,729
Net realized gain on sale of investments	204,360	507,510
Net unrealized loss on investments	(622,922)	(506,934)
Investment management fees	(43,125)	(27,639)
	$ (135,787)	$ 235,666

NOTE C - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31, 2015 and 2014, are expected to be realized in the following periods:

	2015	2014
In less than one year	$ 14,022,068	$ 9,332,228
Between one and five years	20,948,748	7,976,794
Greater than five years	800,000	-
Total grants and pledges receivable	35,770,816	17,309,022
Less - present value discount	859,408	361,130
Less - allowance for doubtful accounts	50,000	50,000
Grants and pledges receivable, net	$ 34,861,408	$ 16,897,892

The present value discount was calculated using a discount factor which ranged from .67% to 3.27%.

Conditional Pledges

Year Up has a policy to not record conditional pledges until conditions have been met. Year Up has $22,472,467 and $6,478,626 of conditional pledges as of December 31, 2015 and 2014, respectively, which will be recorded in the consolidating financial statements once the conditions have been met.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Computer equipment	$ 9,362,868	$ 7,987,681
Leasehold improvements	19,461,810	5,360,974
Building (capital lease, see Note F)	-	5,092,939
Furniture and fixtures	1,954,414	1,164,632
Software development	754,775	49,755
	31,533,867	19,655,981
Less - accumulated depreciation and amortization	11,267,393	10,616,474
Property and equipment, net	$ 20,266,474	$ 9,039,507

For the years ended December 31, 2015 and 2014, Year Up expensed $1,994,889 and $1,710,718, respectively, of depreciation.

NOTE E - OPERATING LEASES

The following is a schedule of combined future rental payments over the next five years under operating leases:

Year Ending December 31,	
2016	$ 6,599,693
2017	$ 6,842,803
2018	$ 6,923,568
2019	$ 6,972,724
2020 and thereafter	$ 49,981,298

Rent expense for the years ended December 31, 2015 and 2014, was $7,056,704 and $4,201,166, respectively, and is included in occupancy in the accompanying consolidating statements of functional expenses. Rent expense is recorded on a straight-line basis for Year Up's operating leases. As a result of certain rent holidays and escalation clauses included in the leases noted above, deferred rent liabilities totaling $13,025,607 and $5,330,198 as of December 31, 2015 and 2014, respectively, are included in deferred rent in the accompanying consolidating statements of financial position.

As part of certain lease agreements, Year Up is required to deliver security to the landlords in the form of an irrevocable letter of credit from a bank. Year Up maintains three letters of credit for a total of $3,653,015 with various banking institutions. Year Up named the landlords as the beneficiaries through the maturity of the leases.

NOTE F - CAPITAL LEASE

Year Up leased a Boston location used in its operations under a capital lease agreement that was set to expire in 2016. As of December 31, 2014, the remaining balance of the capital lease liability was $4,535,913 as shown as capital lease obligation in the accompanying 2014 consolidating statement of financial position. Depreciation expense for the facility was $169,765 in 2014.

Per the terms of the lease agreement, Year Up had an option to purchase the building for a stated amount. In 2015, Year Up exercised its bargain purchase option and subsequently sold the property. The capital gain on the sale of this property was $2,774,429 and is included in other revenue in the accompanying 2015 consolidating statement of activities.

NOTE G - NOTES PAYABLE

YUPRO has entered into the following agreements at December 31:

	2015	2014
Unsecured note payable agreement with an individual lender. The note bears interest at a rate of 5% and interest-only payments are due semi-annually. Principal is due on the maturity date of May 16, 2021.	$ 700,000	$ 500,000
Unsecured note payable agreement with a company. The note bears interest at a rate of 5% and interest-only payments are due semi-annually. Principal is due on the maturity date of May 16, 2021.	300,000	300,000
	$ 1,000,000	$ 800,000

NOTE G - NOTES PAYABLE (Continued)

The debt instruments described on page 15 require YUPRO to comply with certain covenants with which YUPRO was in compliance with at December 31, 2015. In addition, as stated in the note agreements, the two lenders are subject to a profit participation amount based on a certain calculation as defined in the agreement, starting in 2017.

NOTE H - LINE OF CREDIT

In January 2014, Year Up entered into a revolving line of credit agreement with a bank in the amount $5,000,000. The line of credit is collateralized by the business assets of Year Up. The line of credit is payable on demand. Until demand is made, Year Up is required to make monthly payments equal to the sum of accrued interest at the close of the billing cycle. Year Up 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 London Interbank Offered Rate (LIBOR) Daily Floating rate (.5% and .6% at December 31, 2015 and 2014, respectively), plus 1.4 percentage points. The agreement stipulates that Year Up not incur any additional debt other than in the ordinary course of business during the term of the line of credit. Year Up did not draw on the line of credit during 2015 and 2014. The line of credit agreement contains various covenants. Year Up was in compliance with these covenants at December 31, 2015 and 2014.

NOTE I - RETIREMENT PLAN

Year Up 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. Year Up elects to make a matching contribution. During 2015 and 2014, Year Up made matching contributions of 100% of the first 5% of a participant's compensation contributed to the plan. For the years ended December 31, 2015 and 2014, Year Up contributed $933,545 and $730,665, respectively. These amounts are included in fringe benefits and taxes in the accompanying consolidating statements of functional expenses.

NOTE J - RELATED PARTY TRANSACTIONS

At December 31, 2015 and 2014, the balance outstanding of pledges receivable from National Board members of Year Up was $5,427,974 and $2,030,000, respectively.

Members of the Board are also members of other not-for-profit boards. Year Up received contributions for the years ended December 31, 2015 and 2014, totaling $1,166,667 and $1,434,000, respectively, from these other not-for-profit organizations.

A member of the Board of Directors is a partner at a law firm which provided pro bono services to Year Up in the amount of $162,284 and $242,747 for the years ended December 31, 2015 and 2014, respectively. This member abstains from discussions on matters surrounding his firm, as required by Year Up's conflict of interest policy.

Year Up incurred costs related to the formation of YUPRO and transferred certain intellectual property to YUPRO. The value of the aforementioned intellectual property and start-up costs totaled $480,000. This amount has been eliminated in the accompanying consolidating financial statements.

NOTE J - RELATED PARTY TRANSACTIONS (Continued)

During 2015, YUPRO rented office space from Year Up as a tenant-at-will. Rent expense totaled $6,000 and is included in office expenses in the accompanying 2015 consolidating statement of functional expenses. Also, during 2015, Year Up contracted with YUPRO for temporary help. Year Up paid YUPRO $27,075 in contractor fees, which is included in program service fees in the accompanying 2015 consolidating statement of activities. These amounts have been eliminated in the consolidating financial statements.

NOTE K - NON-CASH EXPENSES

Non-cash expenses were comprised of the following for the years ended December 31:

	2015	2014
Depreciation	$ 1,994,889	$ 1,710,718
In-kind (See page 8)	759,907	1,666,848
Bad debt	239,800	433,800
	$ 2,994,596	$ 3,811,366

NOTE L - NET ASSETS

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

	2015	2014
Time restricted	$ 34,596,896	$ 3,399,091
Purpose restricted	22,111,806	30,874,903
	$ 56,708,702	$ 34,273,994

Opportunity Campaigns

OCII

Included in temporarily restricted net assets is $19,841,758 and $26,557,590 at December 31, 2015 and 2014, respectively, raised as Opportunity Campaign II (OCII) 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 and are shown as purpose restricted net assets. The use of OCII 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 OCII amounts to result in a positive change in unrestricted net assets of approximately 5% of Year Up's fiscal years 2015 and 2014 operating expenses, respectively.

OCIII

In 2016, Year Up will embark on a new capital campaign, Opportunity Campaign III. It is a $200,000,000 campaign to support growth, innovation and impact through 2021. This campaign will fund expansion of direct service work and a continued investment in generating impact. During 2015, Year Up began the silent phase of the campaign and raised approximately $49,119,000, which includes $33,119,000 in grants and contributions in the accompanying 2015 consolidating statement of activities and $16,000,000 of conditional pledges.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2016, which is the date the consolidating financial statements were available for issuance. There were no subsequent events that require adjustments to or disclosure in the consolidating financial statements.

NOTE N - CONCENTRATIONS

FDIC Coverage

Year Up maintains its cash balances in various banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain limits. At certain times during the year, cash balances exceeded the insured amounts. The Entity has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Funding

The following tables reflects the largest donors and Corporate Partners representing over 10% of total operating revenues and accounts receivable:

	2015		2014	
Donor	Total Revenue	Total Accounts Receivable	Total Revenue	Total Accounts Receivable
A	21%	35%	- %	- %
B	- %	15%	- %	- %
C	- %	12%	- %	- %
D	- %	- %	- %	18%

	2015		2014	
Corporate Partner	Total Revenue	Total Accounts Receivable	Total Revenue	Total Accounts Receivable
E	- %	19%	- %	- %
F	- %	12%	- %	- %

NOTE O - RECLASSIFICATIONS

Certain reclassifications have been made to the prior year consolidating financial statements to conform to current year presentations.