YEAR UP, INC. AND AFFILIATE

CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

YEAR UP, INC. AND AFFILIATE

Contents
December 31, 2019 and 2018

AAFCPAs
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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, 2019 and 2018, 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, 2019 and 2018, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
March 18, 2020

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Financial Position
December 31, 2019 and 2018

	2019				2018			
Assets	**Year Up, Inc.**	**YUPRO**	**Eliminations**	**Total**	**Year Up, Inc.**	**YUPRO**	**Eliminations**	**Total**
Current Assets:								
Cash and cash equivalents	$ 32,943,220	$ 1,151,626	$ -	$ 34,094,846	$ 39,067,313	$ 1,050,648	$ -	$ 40,117,961
Investments	12,828,575	-	-	12,828,575	10,982,799	-	-	10,982,799
Current portion of grants and pledges receivable, net	28,105,875	-	-	28,105,875	21,654,520	-	-	21,654,520
Internship receivable, net	11,484,808	716,809	(15,120)	12,186,497	6,548,774	621,942	(77,739)	7,092,977
Prepaid expenses and other	1,961,910	12,821	(76,455)	1,898,276	2,150,377	10,432	-	2,160,809
Total current assets	87,324,388	1,881,256	(91,575)	89,114,069	80,403,783	1,683,022	(77,739)	82,009,066
Grants and Pledges Receivable, net of current portion	16,667,883	-	-	16,667,883	15,583,482	-	-	15,583,482
Investment in YUPRO	480,000	-	(480,000)	-	480,000	-	(480,000)	-
Property and Equipment, net	18,714,255	12,678	-	18,726,933	21,898,478	-	-	21,898,478
Total assets	$ 123,186,526	$ 1,893,934	$ (571,575)	$ 124,508,885	$ 118,365,743	$ 1,683,022	$ (557,739)	$ 119,491,026
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable and accrued expenses	$ 12,742,277	$ 1,110,236	$ (91,575)	$ 13,760,938	$ 10,641,992	$ 1,113,408	$ (77,739)	$ 11,677,661
Deferred revenue	2,374,653	-	-	2,374,653	1,334,270	-	-	1,334,270
Current portion of deferred rent	1,414,418	-	-	1,414,418	982,729	-	-	982,729
Total current liabilities	16,531,348	1,110,236	(91,575)	17,550,009	12,958,991	1,113,408	(77,739)	13,994,660
Deferred Rent, net of current portion	9,699,839	-	-	9,699,839	11,053,840	-	-	11,053,840
Notes Payable	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
Total liabilities	26,231,187	2,110,236	(91,575)	28,249,848	24,012,831	2,113,408	(77,739)	26,048,500
Net Assets:								
Without donor restrictions	46,650,456	(216,302)	(480,000)	45,954,154	51,855,946	(430,386)	(480,000)	50,945,560
With donor restrictions	50,304,883	-	-	50,304,883	42,496,966	-	-	42,496,966
Total net assets	96,955,339	(216,302)	(480,000)	96,259,037	94,352,912	(430,386)	(480,000)	93,442,526
Total liabilities and net assets	$ 123,186,526	$ 1,893,934	$ (571,575)	$ 124,508,885	$ 118,365,743	$ 1,683,022	$ (557,739)	$ 119,491,026

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

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019						2018					
	Year Up, Inc.						Year Up, Inc.					
	Without Donor Restrictions	With Donor Restrictions	Total	YUPRO	Eliminations	Total	Without Donor Restrictions	With Donor Restrictions	Total	YUPRO	Eliminations	Total
Operating Revenues:												
Program service fees:												
Year Up	$ 82,341,849	$ -	$ 82,341,849	$ -	$ -	$ 82,341,849	$ 69,687,369	$ -	$ 69,687,369	$ -	$ -	$ 69,687,369
YUPRO, net of cost of sales of approximately $6,600,000 and $5,400,000 at December 31, 2019 and 2018, respectively	-	-	-	1,940,042	(183,363)	1,756,679	-	-	-	1,404,038	(189,605)	1,214,433
Grants and contributions	39,197,767	49,843,408	89,041,175	-	-	89,041,175	40,658,760	41,727,547	82,386,307	-	-	82,386,307
Inkind goods and services	501,389	-	501,389	-	-	501,389	482,405	-	482,405	-	-	482,405
Other revenue	2,417,827	-	2,417,827	-	(76,455)	2,341,372	202,697	-	202,697	-	(59,725)	142,972
Net assets released from restrictions	42,035,491	(42,035,491)	-	-	-	-	38,511,313	(38,511,313)	-	-	-	-
Total operating revenues	166,494,323	7,807,917	174,302,240	1,940,042	(259,818)	175,982,464	149,542,544	3,216,234	152,758,778	1,404,038	(249,330)	153,913,486
Operating Expenses:												
Program services	142,184,570	-	142,184,570	1,725,958	(259,818)	143,650,710	124,778,955	-	124,778,955	1,268,054	(249,330)	125,797,679
General and administrative	19,058,751	-	19,058,751	-	-	19,058,751	15,143,874	-	15,143,874	-	-	15,143,874
Fundraising	10,456,492	-	10,456,492	-	-	10,456,492	10,150,957	-	10,150,957	-	-	10,150,957
Total operating expenses	171,699,813	-	171,699,813	1,725,958	(259,818)	173,165,953	150,073,786	-	150,073,786	1,268,054	(249,330)	151,092,510
Changes in net assets from operations	$ (5,205,490)	$ 7,807,917	$ 2,602,427	$ 214,084	$ -	$ 2,816,511	$ (531,242)	$ 3,216,234	$ 2,684,992	$ 135,984	$ -	$ 2,820,976

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

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	Year Up, Inc.					
	Without Donor Restrictions	With Donor Restrictions	Total	YUPRO	Eliminations	Total
Net Assets, December 31, 2017	$ 52,387,188	$ 39,280,732	$ 91,667,920	$ (566,370)	$ (480,000)	$ 90,621,550
Changes in net assets	(531,242)	3,216,234	2,684,992	135,984	-	2,820,976
Net Assets, December 31, 2018	51,855,946	42,496,966	94,352,912	(430,386)	(480,000)	93,442,526
Changes in net assets	(5,205,490)	7,807,917	2,602,427	214,084	-	2,816,511
Net Assets, December 31, 2019	$ 46,650,456	$ 50,304,883	$ 96,955,339	$ (216,302)	$ (480,000)	$ 96,259,037

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

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Year Up, Inc.	**YUPRO**	**Total**	**Year Up, Inc.**	**YUPRO**	**Total**
Cash Flows from Operating Activities:						
Changes in net assets	$ 2,602,427	$ 214,084	$ 2,816,511	$ 2,684,992	$ 135,984	$ 2,820,976
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Depreciation	5,519,897	4,616	5,524,513	4,573,230	-	4,573,230
Bad debt	767,747	-	767,747	72,297	-	72,297
(Gain) loss on investments	(1,108,863)	-	(1,108,863)	676,731	-	676,731
Changes in operating assets and liabilities:						
Grants and pledges receivables, net	(8,303,503)	-	(8,303,503)	(1,532,566)	-	(1,532,566)
Internship receivable, net	(4,936,034)	(94,867)	(5,030,901)	3,810,010	33,251	3,843,261
Prepaid expenses and other	188,467	(2,389)	186,078	(424,688)	8,581	(416,107)
Accounts payable and accrued expenses	2,026,605	(3,172)	2,023,433	3,213,094	192,702	3,405,796
Deferred revenue	1,040,383	-	1,040,383	319,272	-	319,272
Deferred rent	(922,312)	-	(922,312)	(816,453)	-	(816,453)
Net cash provided by (used in) operating activities	(3,125,186)	118,272	(3,006,914)	12,575,919	370,518	12,946,437
Cash Flows from Investing Activities:						
Acquisition of property and equipment	(2,261,994)	(17,294)	(2,279,288)	(3,803,133)	-	(3,803,133)
Purchases of investments	(5,593,587)	-	(5,593,587)	(4,053,237)	-	(4,053,237)
Sales of investments	4,856,674	-	4,856,674	2,737,471	-	2,737,471
Net cash used in investing activities	(2,998,907)	(17,294)	(3,016,201)	(5,118,899)	-	(5,118,899)
Net Change in Cash and Cash Equivalents	(6,124,093)	100,978	(6,023,115)	7,457,020	370,518	7,827,538
Cash and Cash Equivalents:						
Beginning of year	39,067,313	1,050,648	40,117,961	31,610,293	680,130	32,290,423
End of year	$ 32,943,220	$ 1,151,626	$ 34,094,846	$ 39,067,313	$ 1,050,648	$ 40,117,961
Supplemental Disclosures:						
Cash paid for interest	$ 122,344	$ 25,000	$ 147,344	$ 1,382	$ 51,415	$ 52,797
Property and equipment financed through accounts payable	$ 73,680	$ -	$ 73,680	$ 630,600	$ -	$ 630,600

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019						2018					
	Program Services	General & Adminis-trative	Fundraising	Total	Eliminations	Total	Program Services	General & Adminis-trative	Fundraising	Total	Eliminations	Total
Payroll and Related:												
Salaries	$ 62,308,243	$ 8,087,608	$ 6,810,396	$ 77,206,247	$ -	$ 77,206,247	$ 52,969,584	$ 6,592,107	$ 6,323,337	$ 65,885,028	$ -	$ 65,885,028
Fringe benefits and taxes	21,128,434	2,320,360	1,950,995	25,399,789	-	25,399,789	17,162,651	2,168,184	1,758,524	21,089,359	-	21,089,359
Total compensation and related	83,436,677	10,407,968	8,761,391	102,606,036	-	102,606,036	70,132,235	8,760,291	8,081,861	86,974,387	-	86,974,387
Non-Compensation Operating Expenses												
Student related direct costs	29,023,767	-	-	29,023,767	-	29,023,767	25,464,820	9,769	-	25,474,589	-	25,474,589
Occupancy	5,916,308	1,691,683	1,477	7,609,468	-	7,609,468	5,959,179	1,611,701	1,506	7,572,386	-	7,572,386
Other expenses	3,789,107	1,883,099	406,026	6,078,232	(72,285)	6,005,947	4,188,777	1,065,944	466,888	5,721,609	(14,600)	5,707,009
Depreciation	4,528,711	739,124	252,062	5,519,897	-	5,519,897	3,788,159	622,346	162,725	4,573,230	-	4,573,230
Consultants and professional services	4,102,025	1,143,056	174,500	5,419,581	(111,078)	5,308,503	4,410,428	1,719,331	176,560	6,306,319	(175,005)	6,131,314
Travel, lodging and meals	3,295,939	1,695,952	256,126	5,248,017	-	5,248,017	3,509,320	648,153	278,213	4,435,686	-	4,435,686
Technology and Telecommunications	4,117,635	598,916	219,002	4,935,553	-	4,935,553	3,898,972	474,772	241,129	4,614,873	-	4,614,873
Special events	1,727,881	894,426	383,789	3,006,096	-	3,006,096	1,595,552	226,373	736,918	2,558,843	-	2,558,843
Advertising	2,246,520	4,527	2,119	2,253,166	-	2,253,166	1,831,513	5,194	5,157	1,841,864	-	1,841,864
Total non-compensation operating expenses	58,747,893	8,650,783	1,695,101	69,093,777	(183,363)	68,910,414	54,646,720	6,383,583	2,069,096	63,099,399	(189,605)	62,909,794
Total operating expenses before YUPRO	142,184,570	19,058,751	10,456,492	171,699,813	(183,363)	171,516,450	124,778,955	15,143,874	10,150,957	150,073,786	(189,605)	149,884,181
YUPRO	1,725,958	-	-	1,725,958	(76,455)	1,649,503	1,268,054	-	-	1,268,054	(59,725)	1,208,329
Total operating expenses	$ 143,910,528	$ 19,058,751	$ 10,456,492	$ 173,425,771	$ (259,818)	$ 173,165,953	$ 126,047,009	$ 15,143,874	$ 10,150,957	$ 151,341,840	$ (249,330)	$ 151,092,510

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

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Year Up, Inc.'s (Year Up) mission is to close the opportunity divide by providing young adults with the skills, experience and support that will empower them to reach their potential through professional careers and higher education. The Opportunity Divide: Millions of young adults in the United States face social and economic injustice. They have talent and motivation but lack access to higher education and careers that provide a living wage. At the same time, U.S. businesses seek more and better trained talent to compete on the global stage, but there are not enough skilled workers to meet that demand.

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 launched twenty-five fully operational programs across the following sixteen states: Georgia, Maryland, Washington, New York, Texas, Illinois, Florida, California, Massachusetts, Virginia, North Carolina, New Jersey, Pennsylvania, Arizona, Rhode Island, and Delaware.

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.

Nature of Advocacy Work

Year Up has engaged in a set of influence strategies targeting three key barriers that limit options in the talent marketplace for Opportunity Youth: shifting perceptions of young adults from social liabilities to economic assets, shifting employer practices to broaden talent sourcing and hiring, and shifting public policies to support enterprising career pathways. The goal of this work is to provide Opportunity Youth a pathway to the education and training needed to become the source of skilled talent employers seek.

Year Up is also investing in the national alumni relations team to build engagement opportunities for alumni, provide targeted and centralized support services, and act as the organizational liaison to the National Alumni Association.

Basis of Presentation

Year Up and YUPRO (collectively, the Entity) prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) 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, 2019 and 2018. All significant intercompany balances and transactions have been eliminated (see Note K).

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Entity's contracts with customers. This standard was effective for the calendar year ending December 31, 2019.

The adoption of ASU 2014-09 did not have a significant impact on the Entity's financial position, results of operations, or cash flows. The Entity's program revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Entity's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption. This ASU has been applied retrospectively for all periods presented.

In fiscal year 2019, the Organization adopted FASB's Accounting Standards Update (ASU) 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Based on the Year UP's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption. However, the adoption resulted in additional disclosures surrounding conditional grants (see note E).

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of functional expenses. This standard will be effective would be effective in 2021. The Entity is currently in the process of evaluating the impact of adoption of this ASU on the consolidating financial statements.

Net Assets

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

- **Without Donor Restrictions** - net assets are resources over which the Entity has discretionary control.

- **With Donor Restrictions** - 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 - OPERATIONS AND 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 initial 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.

Contributed equipment consists of the following at December 31:

	2019	2018
Software	$ 3,217,365	$ 3,217,365
Less - accumulated depreciation	3,217,365	2,688,498
Contributed property and equipment, net	$ -	$ 528,867

For the years ended December 31, 2019 and 2018, Year Up expensed $528,867 and $1,057,733, respectively, of depreciation on contributed equipment.

In-kind contributions include the following items for the years ended December 31:

	2019	2018
Legal services	$ 285,389	$ 266,405
Telecommunications	216,000	216,000
	$ 501,389	$ 482,405

Investments

Investments consist of mutual funds, bonds and equities. Changes in fair values are included in other revenue in the accompanying consolidating statements of activities (see Note C).

Year Up holds its investments with short-term maturities. Investments are not insured and are subject to ongoing market fluctuation.

Revenue Recognition

Grants and 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 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.

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contributions (Continued)

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 statements of activities as net assets released from restrictions.

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 are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The following table represents the sources of Year Up's grants and contributions for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundations	$ 20,202,389	$ 25,317,800	$ 45,520,189
Individuals	12,610,078	23,523,308	36,133,386
Corporations	5,287,259	1,002,300	6,289,559
Government	1,098,041	-	1,098,041
	$ 39,197,767	$ 49,843,408	$ 89,041,175

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Foundations	$ 19,765,085	$ 28,757,800	$ 48,522,885
Individuals	15,509,306	9,263,997	24,773,303
Corporations	4,579,778	3,640,250	8,230,028
Government	804,591	65,500	870,091
	$ 40,658,760	$ 41,727,547	$ 82,386,307

NOTE A - OPERATIONS AND 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. This is an exchange transaction. 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 over the period the internship occurs. The performance obligations of delivering internship services is simultaneously received and consumed by partner corporations; therefore, the revenue is recognized ratably over the course of the internship period. Advance payments are recorded as deferred revenue. YUPRO's program service fees are recognized over the staffing contract or consulting period. Permanent placement fees are recognized at the time of the employee's start date. Advance payments are recorded as deferred revenue. A small part of program service fees is innovation revenue, in which Year models new innovative program models for expanding the number of opportunity youth that are served.

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 2019 and 2018 was $1,329,928 and $1,122,033, respectively, and is included in internship receivable in the accompanying consolidating statements of financial position.

Other Revenue

Other revenue consists of investment income and rental income from several subleases. All other revenue is recognized as earned.

Allowance for Doubtful Accounts

Grants and pledges receivable are recorded at their net realizable value. Pledges that are expected to be collected after one year from the end of the fiscal year ended are discounted (see Note D).

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 receivable are recorded at the invoiced amounts and do not bear interest. Internship receivable are shown net of allowance of doubtful accounts of $509,504 and $444,057, as of December 31, 2019 and 2018, respectively.

Advertising Expense

Advertising costs are expensed at the time they are incurred. Advertising expense for the years ended December 31, 2019 and 2018, was $2,253,166 and $1,841,864, respectively.

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Equipment purchased by the Entity is recorded at cost. Donated equipment is recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the assets' estimated useful life.

Estimated useful lives are as follows:

Leasehold improvements	Life of lease
Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years

Income Taxes and Nonprofit Status

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 financial statements at December 31, 2019 and 2018. The Entity's information and tax returns are subject to examination by the Federal and state jurisdictions.

Year Up is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Year Up is also exempt from state income taxes. Donors may deduct contributions made to Year Up within IRC requirements.

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.

YUPRO is treated as a corporation for income tax purposes. As of December 31, 2019 and 2018, YUPRO had Federal and state net operating loss carryforwards of approximately $857,000 and $1,146,000, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2038. The tax benefit of the net operating loss carryforwards is immaterial to the consolidating financial statements and is not reflected.

Cost Allocation - Functional Expenses

The costs of providing program and other activities of Year Up have been summarized on a functional basis in the accompanying consolidating statements of functional expenses, which includes all operating expenses incurred during the year. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses directly related to a program are distributed to that program. Salaries, fringe benefits and taxes, occupancy, telecommunications and computers, depreciation and other costs of the technology department are allocated among program and supporting services benefited based on full-time equivalent ratios.

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Bonds are valued using several factors, including its credit rating relative to a corporate bond or government security with similar maturity or duration (see Note C).

All Other Assets and Liabilities

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

NOTE B - AVAILABILITY AND LIQUIDITY

The following represents the Entity's financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 34,094,846
Internship receivable, net	12,186,497
Grants and pledges receivable	44,773,758
Investments	12,828,575
Total financial assets	103,883,676
Less:	
Grants and pledges receivable scheduled to be collected in more than one year	16,667,883
Restricted by donors for specific programs	5,814,538
Financial assets available to meet general expenditures over the next twelve months	$ 81,401,255

The available balance of approximately $81,400,000 represents almost six months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and other marketable securities. The Entity has a $10,000,000 line of credit available to meet cash flow needs (see Note I). Additionally, the Entity has approximately $25,000,000 of conditional pledges as of December 31, 2019 (see Note E). The Entity's policy is not to record conditional pledges until conditions have been met.

NOTE C - 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:

2019	Level 1	Level 2	Level 3	Total
Equity funds:				
U.S. Large Cap	$ 1,852,360	$ -	$ -	$ 1,852,360
Other	1,496,481	-	-	1,496,481
Fixed income:				
Investment Grade Taxable Bond	-	6,758,657	-	6,758,657
Other	1,545,941	-	-	1,545,941
Other	410,042	765,094	-	1,175,136
Total investments	$ 5,304,824	$ 7,523,751	$ -	$ 12,828,575

2018	Level 1	Level 2	Level 3	Total
Equity funds:				
U.S. Large Cap	$ 1,650,048	$ -	$ -	$ 1,650,048
Other	1,999,490	-	-	1,999,490
Fixed income:				
Investment Grade Taxable Bond	-	4,712,449	-	4,712,449
Other	1,008,130	-	-	1,008,130
Other	960,319	652,363	-	1,612,682
Total investments	$ 5,617,987	$ 5,364,812	$ -	$ 10,982,799

NOTE C - INVESTMENTS (Continued)

The investments' 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, 2019 and 2018. 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:

	2019	2018
Investment interest and dividends	$ 358,454	$ 241,286
Net realized gain on sale of investments	215,031	116,621
Net unrealized gain (loss) on investments	893,832	(793,352)
Investment management fees	(40,753)	(34,470)
	$ 1,426,564	$ (469,915)

NOTE D - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31, 2019 and 2018, are expected to be realized in the following periods:

	2019	2018
In less than one year	$ 28,207,813	$ 21,761,534
Between one and five years	17,146,458	16,099,414
Total grants and pledges receivable	45,354,271	37,860,948
Less - present value discount	478,575	515,932
Less - allowance for doubtful accounts	101,938	107,014
Grants and pledges receivable, net	$ 44,773,758	$ 37,238,002

The present value discount was calculated using a discount factor, which ranged from 1.58% to 1.69%.

NOTE E - CONDITIONAL GRANTS

During 2019, Year Up received grants and contributions totaling $25,944,436 that contained donor-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. Year Up recognizes these grants and contributions when donor-imposed conditions are substantially met (see Note A and L). Conditional promises to give at December 31, 2019 consist of:

Subject to matching and measurable performance barriers	$ 25,032,854
Incurring qualifying expenses	911,582
Total conditional promises to give	$ 25,944,436

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2019	2018
Leasehold improvements	$ 20,342,511	$ 20,002,721
Computer equipment	9,426,377	8,682,721
Furniture and fixtures	1,950,822	1,928,427
Software	5,588,813	2,348,910
Software development	1,303,636	3,296,413
	38,612,159	36,259,192
Less - accumulated depreciation	19,885,226	14,360,714
Property and equipment, net	$ 18,726,933	$ 21,898,478

For the years ended December 31, 2019 and 2018, Year Up expensed $5,519,897 and $4,573,230, respectively, of depreciation.

During 2014, Year Up began a project to customize the Salesforce software to their specific needs. During 2019 and 2018, approximately $2,200,000 and $2,300,000, respectively, of software development cost were placed into service and depreciation began on the asset. The project was completed in 2019 with a total approximate cost of $4,500,000. Year Up has additional ongoing software development projects as of December 31, 2019. These projects are expected to be completed and placed in service during 2020 at which point, Year Up will begin depreciating these assets.

NOTE G - OPERATING LEASES

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

Year Ending December 31	
2020	$ 7,368,118
2021	$ 7,257,288
2022	$ 7,000,225
2023	$ 6,776,395
2024	$ 6,304,385
Thereafter	$ 15,067,913

NOTE G - OPERATING LEASES (Continued)

Rent expense for the years ended December 31, 2019 and 2018, was $6,020,745 and $6,179,997, 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.

The lease agreements also include tenant improvement allowances of approximately $8,780,000 in the form of a reimbursement for construction and related costs incurred by Year Up in fitting out the leased spaces. This landlord incentive is reported as a liability and is amortized over the lease term as a reduction in the rent expense. As a result of certain rent holidays, escalation clauses and tenant improvement allowances included in the leases noted above, deferred rent liabilities totaling $11,114,257 and $12,036,569 as of December 31, 2019 and 2018, 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 H - NOTES PAYABLE

YUPRO has entered into the following agreements at December 31, 2019 and 2018:

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
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
	$ 1,000,000

The debt instruments described above require YUPRO to comply with certain covenants with which YUPRO was in compliance with at December 31, 2019 and 2018. 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. No amounts were earned in 2019 or 2018.

NOTE I - LINE OF CREDIT

Year Up has a revolving line of credit agreement with a bank in the amount $10,000,000. 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. Year Up may request an extension in writing of up to one (1) year within a time period no greater than 120 days and no less than 60 days prior to the expiration date. Interest is equal to the London Interbank Offered Rate (LIBOR) Daily Floating rate (1.9% and 2.4% at December 31, 2019 and 2018, respectively), plus 1.4 percentage points. Year Up agrees to pay an unused fee of 0.125% on the difference between $10,000,000 and the average daily outstanding credit balance.

NOTE I - LINE OF CREDIT (Continued)

The line of credit agreement has an out-of-debt (or zero balance) period of thirty consecutive days in each "line-year". 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 borrowed from the line of credit for up to $10,000,000 during 2019. All was repaid. There was no outstanding balance at December 31, 2019. There were no draws during 2018. The line of credit agreement contains various covenants. Year Up was in compliance with these covenants at December 31, 2019 and 2018.

NOTE J - 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 2019 and 2018, 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, 2019 and 2018, Year Up contributed $2,743,953 and $2,083,817, respectively. These amounts are included in fringe benefits and taxes in the accompanying consolidating statements of functional expenses.

NOTE K - RELATED PARTY TRANSACTIONS

At December 31, 2019 and 2018, the balance outstanding of pledges receivable from National Board members of Year Up was $4,806,400 and $5,121,400, respectively.

A member of the Board is a partner at a law firm which provided pro bono services to Year Up in the amount of $243,242 and $244,836 for the years ended December 31, 2019 and 2018, 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.

Year Up contracts with YUPRO for temporary help. During the years ended December 31, 2019 and 2018, Year Up paid YUPRO $183,363 and $189,605, respectively, in contractor fees which are included in program service fees, consultants and professional services and office expenses in the accompanying consolidating financial statements. These amounts have been eliminated in the consolidating financial statements.

During 2016, Year Up entered into an agreement with YUPRO, whereby YUPRO will pay Year Up a fee for each Year Up internship program graduate referred by Year Up to YUPRO. The fee is dependent on the graduate successfully transitioning to a contractor position at the internship company for at least three months and where the placement of the graduate at the internship company is managed by YUPRO. The agreement was effective January 1, 2016. The fee is only required when YUPRO generates operating profit after interest and taxes and is determined based on a calculation established in the agreement. For the years ended December 31, 2019 and 2018, Year Up earned a fee of $65,080 and $59,725, respectively, which is included in other revenue in the accompanying consolidating financial statements. This amount has been eliminated in the consolidating financial statements.

NOTE L - NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31:

	2019	2018
Time restricted:		
2019	$ -	$ 21,353,194
2020	27,343,886	10,501,999
2021	9,620,458	3,224,915
2022	5,739,000	1,733,069
2023	1,287,000	124,000
2024	500,000	-
Purpose restricted:		
Program / Curriculum development	3,101,928	2,784,134
Innovation	291,000	1,152,000
Capital / Infrastructure	1,344,249	243,484
Growth and Expansion	1,077,362	1,380,171
	$ 50,304,883	$ 42,496,966

Net assets with donor restrictions were released from the following restrictions at December 31:

	2019	2018
Time restricted	$ 27,367,153	$ 26,154,183
Program restricted	14,668,338	12,357,130
	$ 42,035,491	$ 38,511,313

Opportunity Campaign

In 2016, Year Up officially launched a new capital campaign, Opportunity Campaign III (OC III). It was a $225,000,000 campaign to support growth, innovation and impact through 2021. This campaign funds expansion of direct service work and a continued investment in generating impact. As of December 31, 2019, Year Up had raised approximately $241,000,000. A total of $5,000,000 and $50,900,000 was raised in 2019 and 2018, respectively. Approximately $25,000,000 and $50,000,000 in 2019 and 2018, respectively, of total campaign funds are conditional and, therefore, are not reflected in the accompanying consolidating statements of activities.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 18, 2020, which is the date the consolidating financial statements were available for issuance. There were no events that met the criteria for recognition or disclosure in the consolidating financial statements other than as noted below:

Covid-19 Pandemic

The COVID-19 outbreak in the United States is unprecedented. It has had a significant impact on our economy and businesses and the future impact is unknown. Our management team has put in place e-learning environments for all our programs and we are currently modeling financial contingency plans. Administrative and fundraising activities have also safely transitioned to a cyber environment. While this disruption is expected to be temporary there is considerable uncertainty around its duration. The impact on the Entity's financial position and operating results cannot be reasonably estimated at this time.

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.

NOTE N - CONCENTRATIONS (Continued)

Funding

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

	2019		2018	
Donor	**Total Operating Revenue**	**Total Accounts Receivable**	**Total Operating Revenue**	**Total Accounts Receivable**
A	-	13%	-	-
B	-	11%	-	-
C	-	-	-	12%
D	-	-	13%	-

	2019		2018	
Corporate Partner	**Total Operating Revenue**	**Total Accounts Receivable**	**Total Operating Revenue**	**Total Accounts Receivable**
E	-	-	-	10%
F	12%	27%	-	-

NOTE O - RECLASSIFICATIONS

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