

FRESH YOUTH INITIATIVES, INC.
INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS
AS OF MAY 31, 2008
AND
FOR THE YEAR THEN ENDED
(WITH COMPARATIVE TOTALS FOR MAY 31, 2007)

FRESH YOUTH INITIATIVES, INC.

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fresh Youth Initiatives, Inc.
New York, New York

We have audited the accompanying statement of financial position of Fresh Youth Initiatives, Inc. as of May 31, 2008 and the related statements of activities and change in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Fresh Youth Initiatives, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fresh Youth Initiatives, Inc. as of May 31, 2008 and the change in its net assets and its cash flows for the year then ended, in conformity with the accounting principles generally accepted in the United States of America.

Winnie Tam & Co., P.C.

New York, New York
August 18, 2008

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2008
(WITH COMPARATIVE TOTALS FOR MAY 31, 2007)

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 546,255	\$ 642,221
Investments - Notes 2 and 3	8,752	12,388
Accounts receivable	1,750	50
Due from governmental agencies - Note 4	7,000	3,448
Grants and contributions receivable	80,860	58,658
Prepaid expenses	<u>16,358</u>	<u>17,730</u>
Total Current Assets	660,975	734,495
Fixed Assets		
Fixed assets, at cost, net of accumulated depreciation of \$228,720 and \$114,451 in 2008 and 2007, respectively - Notes 2 and 5	3,682,115	3,726,560
Other Assets		
Security deposits	<u>1,025</u>	<u>1,025</u>
Total Assets	<u>\$ 4,344,115</u>	<u>\$ 4,462,080</u>
 <u>LIABILITY AND NET ASSETS</u> 		
<u>LIABILITY</u>		
Current Liability		
Accounts and accrued expenses payable	<u>\$ 23,734</u>	<u>\$ 24,204</u>
Total Liability	<u>23,734</u>	<u>24,204</u>
 <u>NET ASSETS</u> 		
Net Assets		
Unrestricted	4,251,881	4,387,876
Temporarily restricted - Note 7	<u>68,500</u>	<u>50,000</u>
Total Net Assets	<u>4,320,381</u>	<u>4,437,876</u>
Total Liability and Net Assets	<u>\$ 4,344,115</u>	<u>\$ 4,462,080</u>

See accompanying notes to financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2008
(WITH COMPARATIVE TOTALS FOR MAY 31, 2007)

	<u>2008</u>	<u>2007</u>
<u>Changes in Unrestricted Net Assets</u>		
Public Support and Revenue		
Contributions and fees from:		
Individuals	\$ 108,679	\$ 92,707
Foundations	152,488	169,845
Corporations	15,770	31,250
Churches	2,000	-
Federations	2,911	373
Governmental agencies	-	1,500
Special events (net of direct expenses of \$7,270 and \$8,567 in 2008 and 2007, respectively)	12,953	20,076
Program fees	1,139	640
Interest and dividend income	24,054	43,995
Net realized loss on investments	-	(5)
Net unrealized (loss)/gains on investments	(3,839)	4,004
Other income	4,356	-
Net assets released from restrictions - Notes 6 and 8	<u>518,641</u>	<u>742,501</u>
Total Unrestricted Public Support and Revenue	<u>839,152</u>	<u>1,106,886</u>
Expenses		
Program Services		
Community Youth in Action	419,181	457,892
Other Programs	<u>371,131</u>	<u>324,394</u>
Total Program Services	<u>790,312</u>	<u>782,286</u>
Supporting Services		
Administrative and general	153,625	145,942
Fund raising	<u>31,210</u>	<u>31,227</u>
Total Supporting Services	<u>184,835</u>	<u>177,169</u>
Total Expenses	<u>975,147</u>	<u>959,455</u>
Net (Decrease)/Increase in Unrestricted Net Assets - Note 8	(<u>135,995</u>)	<u>147,431</u>
<u>Changes in Temporarily Restricted Net Assets</u>		
Grants and contributions	537,141	338,240
Net assets released from restrictions - Notes 6 and 8	(<u>518,641</u>)	(<u>742,501</u>)
Net Increase/(Decrease) in Temporarily Restricted Net Assets	<u>18,500</u>	(<u>404,261</u>)
Net Decrease in Net Assets	(117,495)	(256,830)
Net Assets at beginning of year	<u>4,437,876</u>	<u>4,694,706</u>
Net Assets at end of year	<u>\$ 4,320,381</u>	<u>\$ 4,437,876</u>

See accompanying notes to financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2008
(WITH COMPARATIVE TOTALS FOR MAY 31, 2007)

	PROGRAM SERVICES			SUPPORTING SERVICES			Total	
	Community Youth in Action	Other Programs	Total	Administrative and General	Fund Raising	Total	Supporting Services 2008	Supporting Services 2007
Salaries	\$ 187,600	\$ 155,546	\$ 343,146	\$ 59,198	\$ -	\$ 77,766	\$ 420,912	\$ 404,578
Payroll taxes and fringe benefits	45,050	37,352	82,402	14,215	-	18,674	101,076	100,726
Total Salaries and related expenses	232,650	192,898	425,548	73,413	23,027	96,440	521,988	505,304
Professional and consulting fees		24,632	24,632	37,806	3,715	41,521	66,153	54,835
Occupancy	13,704	11,808	25,512	6,925		6,925	32,437	42,370
Telephone and communications	2,041	5,614	7,655	2,552		2,552	10,207	12,935
Supplies and minor equipment purchases	48,216	18,931	67,147	2,144		2,144	69,291	62,879
Postage and shipping	349	149	498				498	716
Printing and publications	805	1,863	2,668				2,668	4,589
Fees, dues and memberships	72	72	144	4,030	676	4,706	4,850	2,884
Equipment rental	6,660	182	6,842	3,742		3,742	10,584	14,823
Conferences and meetings		1,025	1,025				1,025	1,190
Travel and transportation	19,798	5,195	24,993	909	324	1,233	26,226	33,996
Insurance	6,106	9,946	16,052	6,245		6,245	22,297	28,293
Stipends	12,865	8,576	21,441				21,441	26,723
Program expenses	33,393	15,442	48,835				48,835	46,076
Repairs and maintenance	8,241	6,237	14,478	7,796		7,796	22,274	13,271
Miscellaneous				64	40	104	104	881
Total Expenses before depreciation	384,900	302,570	687,470	145,626	27,782	173,408	860,878	851,765
Depreciation	34,281	68,561	102,842	7,999	3,428	11,427	114,269	107,690
Total Expenses 2008	\$ 419,181	\$ 371,131	\$ 790,312	\$ 153,625	\$ 31,210	\$ 184,835	\$ 975,147	
Total Expenses 2007	\$ 457,892	\$ 324,394	\$ 782,286	\$ 145,942	\$ 31,227	\$ 177,169		\$ 959,455

See accompanying notes to financial statements.

FRESH YOUTH INITIATIVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2008
(WITH COMPARATIVE TOTALS FOR MAY 31, 2007)

	2008	2007
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	(\$ 117,495)	(\$ 256,830)
<u>Adjustments to reconcile change in Net Assets to net cash (used in)/provided by operating activities:</u>		
Depreciation	114,269	107,690
(Increase)/decrease in accounts receivable	(1,700)	581
Increase in grants and contributions receivable	(22,202)	(3,128)
(Increase)/decrease in due from governmental agencies	(3,552)	505,217
Decrease/(increase) in prepaid expenses	1,372	(2,287)
Decrease in security deposits		6,000
(Decrease)/increase in accounts and accrued expenses payable	(470)	6,327
Net realized loss on investments	-	5
Net unrealized loss/(gains) on investments	3,839	(4,004)
Total Adjustments	91,556	616,401
Net Cash (Used in)/Provided by Operating Activities	(25,939)	359,571
<u>Cash Flows from Investing Activities</u>		
Acquisition of fixed assets	(69,824)	(337,858)
Purchase of investments	(203)	(16,231)
Proceeds from sale of investments	564,480	564,480
Net Cash (Used in)/Provided by Investing Activities	(70,027)	210,391
Net (Decrease)/Increase in Cash	(95,966)	569,962
Cash balance at beginning of year	642,221	72,259
Cash balance at end of year	\$ 546,255	\$ 642,221

See accompanying notes to financial statements.

FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008

NOTE 1 ORGANIZATION

Fresh Youth Initiatives, Inc. ("FYI") is a not-for-profit organization incorporated under the laws of the State of New York. Founded in 1993, FYI is based in the Washington Heights - Inwood section of Upper Manhattan, New York City.

FYI's community-based youth development program provides local youth with a menu of community service and other positive activities. The results of these efforts build leadership skills, character, and positive habits in hundreds of local youth, while at the same time strengthening the community fabric of Washington Heights - Inwood in tangible ways. FYI is known in particular for operating the only youth-run food pantry in New York City, the Helping Hands Food Pantry, its sleeping bags project where participants hand-sew sleeping bags for distribution to the homeless, and for the high degree of youth involvement and leadership in service projects.

FYI also operates a 1-to-1 Mentoring Program, a Career Awareness Program, and a special set of summer activities which includes the "Summer of Service" camp for younger participants.

FYI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) The accompanying financial statements of FYI have been prepared on the accrual basis of accounting.
- b) All contributions are considered to be available for unrestricted use unless specifically restricted by donor. Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. FYI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- c) FYI capitalized all significant expenditures for fixed assets. All fixed assets are recorded at cost and depreciation is provided for on a straight-line basis over the estimated useful lives of the assets.

(Continue)

FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- d) Cash consists of cash held in checking and money market accounts. At year end and throughout the year, FYI's cash balances were deposited in several financial institutions. Management believes FYI is not exposed to any significant credit risk on cash.
- e) Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities.

Realized and unrealized gains and losses allocated to the unrestricted and temporarily restricted net assets are recognized as incurred. They are recorded in the Statement of Activities as income or loss in accordance with donors' restrictions.

- f) 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 as of May 31, 2008 and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from these estimates.
- g) These financial statements include certain prior year summarized information presented for comparative purposes which is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with FYI's financial statements for the year ended May 31, 2007 from which the summarized information was derived.

NOTE 3 INVESTMENTS

Investments, stated at fair value, as of May 31, 2008 are as follows:

Equity securities	\$ 7,493
Mutual fund	<u>1,259</u>
Total	<u>\$ 8,752</u>

FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008

NOTE 4 DUE FROM GOVERNMENTAL AGENCIES

Under the terms of certain government contracts for services, any fund unexpended is reported as advance from governmental agencies and any excess of expenditures over funds received is reported as due from governmental agencies.

The balances as of May 31, 2008 are as follows:

	<u>Due from Governmental Agencies</u>
New York State Department of Health	\$ 3,883
Department of Youth and Community Development	<u>3,117</u>
Total	<u>\$ 7,000</u>

NOTE 5 FIXED ASSETS

As of May 31, 2008, the costs and accumulated depreciation were as follows:

Land and land improvements	\$ 313,637
Building	3,494,557
Office equipment and furniture	21,692
Computer equipment	52,239
Building security and communication system	<u>28,710</u>
	3,910,835
Less: accumulated depreciation	<u>228,720</u>
Net	<u>\$ 3,682,115</u>

Depreciation expense for the year ended May 31, 2008 was \$114,269. Fully depreciated computer equipment of \$3,314 and office equipment of \$1,023 were disposed in 2008.

**FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008**

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year are as follows:

Satisfaction of purpose restrictions:	
Support designated for Salaries of certain personnel	\$ 7,500
Capacity Building	12,500
Building Equipment and supplies	9,480
Fiscal Infrastructure	<u>55,000</u>
	<u>84,480</u>
Satisfaction of program restrictions:	
Community Youth in Action	209,645
Mentoring	3,000
Parent in Action	5,000
Other Programs	<u>216,516</u>
	<u>434,161</u>
Total	<u>\$ 518,641</u>

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2008 are available for the following:

Community Youth in Action	\$ 51,000
General support designated for 2009	<u>17,500</u>
Total	<u>\$ 68,500</u>

NOTE 8 CHANGE IN UNRESTRICTED NET ASSETS

During the year, a total of \$9,480 in temporarily restricted net assets related to building construction and transition was released from restrictions. During 2007, FYI completed and took occupancy of its new building. As a result, FYI incurred certain expenses and its audited financial statements reflect certain items, which are investing activities related to the building. The following table provides a reconciliation of FYI's ongoing cash operating surplus/(deficit).

(Continue)

FRESH YOUTH INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2008

NOTE 8 CHANGE IN UNRESTRICTED NET ASSETS - (Continued)

Ongoing cash operating surplus/(deficit) is a financial measure which is utilized by FYI and its Board as part of their assessment of the organization's financial health, which they believe may be meaningful to readers of FYI's financial statements:

Public Support and Revenue	
Total unrestricted contributions and fees ¹	\$ 295,940
Interest and dividend income	24,054
Net investment gain/(loss)	(3,839)
Other income	4,356
Net assets released from restrictions	<u>518,641</u>
Total Unrestricted Public Support and Revenue	839,152
Less: Net investment gain/(loss)	3,839
Less: Release of building equipment and supplies restricted assets	(<u>9,480</u>)
Ongoing Cash Unrestricted Public Support and Revenue	<u>833,511</u>
Total Expenses	975,147
Less: Depreciation	(<u>114,269</u>)
Total Ongoing Cash Expenses	<u>860,878</u>
Ongoing Cash Operating Surplus/(Deficit)	(<u>\$ 27,367</u>)

NOTE 9 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

¹ Represents unrestricted contributions and fees from individuals, foundations, corporations, churches, federations and government agencies, as well as net support from special events and program fees.