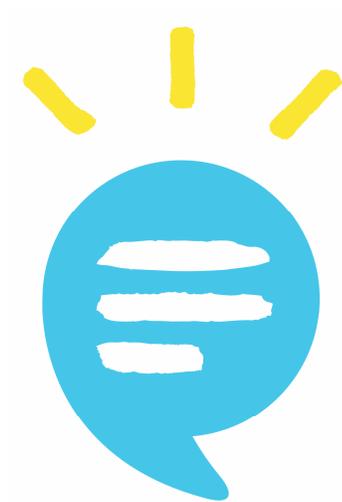


Audited Financial Statements



YOUNG
STORY
TELLERS

December 31, 2017

Quigley & Miron

The Young Storytellers Foundation
Audited Financial Statements
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December 31, 2017

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Independent Auditor's Report

Board of Trustees

The Young Storytellers Foundation

Los Angeles, California

We have audited the accompanying financial statements of The Young Storytellers Foundation, a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

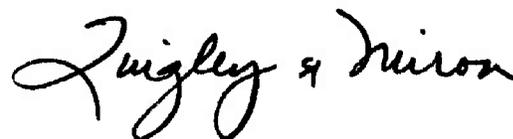
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Young Storytellers Foundation as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Los Angeles, California
August 22, 2018

The Young Storytellers Foundation
Statement of Financial Position
December 31, 2017

Assets

Cash and cash equivalents	\$ 385,516
Pledges and grants receivable—Note B	204,600
Equipment, net—Note C	1,594
Deposits	3,900

Total Assets	<u>\$ 595,610</u>
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Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 18,845
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Total Liabilities	<u>18,845</u>
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Commitments and Contingencies—Note E

Net Assets

Unrestricted	386,565
Temporarily restricted—Note F	190,200

Total Net Assets	<u>576,765</u>
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Total Liabilities and Net Assets	<u>\$ 595,610</u>
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See notes to financial statements.

The Young Storytellers Foundation
Statement of Activities
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 134,294	\$ 141,000	\$ 275,294
Grants	275,918	129,500	405,418
Special event revenue			
Gross revenue	307,562		307,562
Less cost of direct benefits to donors	(66,233)		(66,233)
Net Special Event Revenue	241,329		241,329
Program revenue	2,450		2,450
Net assets released from restrictions	316,070	(316,070)	
Total Public Support and Revenue	970,061	(45,570)	924,491
Expenses			
Program services	709,215		709,215
Management and general	56,455		56,455
Fund development	64,505		64,505
Total Expenses	830,175		830,175
Change in Net Assets	139,886	(45,570)	94,316
Net Assets at Beginning of Year	246,679	235,770	482,449
Net Assets at End of Year	<u>\$ 386,565</u>	<u>\$ 190,200</u>	<u>\$ 576,765</u>

See notes to financial statements.

The Young Storytellers Foundation
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Management and General	Fund Development	Special Event Expense	Total
Expenses					
Salaries and wages	\$ 355,959	\$ 28,551	\$ 44,822	\$	\$ 429,332
Payroll taxes	31,036	2,489	3,908		37,433
Employee benefits	38,671	3,102	4,870		46,643
Total Personnel	425,666	34,142	53,600		513,408
Cost of direct benefits to donors				66,233	66,233
Depreciation	4,120	330	519		4,969
Insurance	3,445	276	434		4,155
Interest		393			393
Miscellaneous	6,291	505	792		7,588
Occupancy	34,309	2,752	4,320		41,381
Outside services	24,102	1,933	3,035		29,070
Postage and shipping	1,071	86	135		1,292
Printing and publications	5,837	468	735		7,040
Professional fees		14,974			14,974
Program activities	196,947				196,947
Supplies	7,427	596	935		8,958
Total Non-Personnel	283,549	22,313	10,905	66,233	383,000
Total Expenses by Function	709,215	56,455	64,505	66,233	896,408
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(66,233)	(66,233)
Total Expenses Included in Expense Section of Statement of Activities	\$ 709,215	\$ 56,455	\$ 64,505	\$	\$ 830,175

See notes to financial statements.

The Young Storytellers Foundation
Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows from Operating Activities

Change in net assets	\$ 94,316
Depreciation	4,969
Changes in operating assets and liabilities:	
Pledges and grants receivable	(33,282)
Accounts payable and accrued expenses	18,845

Net Cash Provided by Operating Activities	84,848
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Cash Flows from Financing Activities

Payments on related party note payable	(29,639)
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Net Cash Used in Financing Activities	(29,639)
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Increase in Cash and Cash Equivalents	55,209
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Cash and Cash Equivalents at the Beginning of Year	330,307
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Cash and Cash Equivalents at the End of Year	<u>\$ 385,516</u>
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Supplementary Disclosures

Cash paid during the year for:	
Income taxes	\$
Interest	<u>\$ 393</u>

See notes to financial statements.

The Young Storytellers Foundation
Notes to Financial Statements
December 31, 2017

Note A—Organization and Summary of Significant Accounting Policies

Organization—The Young Storytellers Foundation (Young Storytellers) grew out of a concern over the impact of budget cuts made in 1997 to creative arts programs in Los Angeles public schools. Recognizing the value arts education held in their own lives, a group of young filmmakers developed a volunteer-based creative arts program in which public schools could participate at no cost. In 2003, this program formally became a 501(c)(3) nonprofit organization. Today, Young Storytellers serves students in elementary, middle, and high schools in Los Angeles, New York City, and San Francisco. In addition, Young Storytellers runs summer camps, workshops, and other special programming around Los Angeles.

Young Storytellers engages creativity through the art of storytelling. Using the timeless techniques of mentoring, collaboration, and performance, they provide public school students with an opportunity to write stories and see them brought to life on stage and film. Their mission is to inspire young people to discover the power of their own voice.

At the core of Young Storytellers programming are thousands of adult volunteers who donate their time to mentor individual students and perform their works on stage. When individuals from the entertainment industry step into public school classrooms to work with students, a critical gap is bridged between communities and the businesses that operate within their borders.

Each year, Young Storytellers provides programming to approximately 1,200 students in the Greater Los Angeles, New York City, and San Francisco areas. Nearly 10,000 students attended public performances of the works written by these talented children.

Young Storytellers's management has implemented plans to maintain or increase future revenue and support through growth in the number of individuals, corporations, and foundations who donate to the organization. Also, employees and volunteer staff, at the direction of management, have successfully implemented cost control measures designed to maintain expenditures relative to service level requirements.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Young Storytellers recognizes contributions and unconditional promises to give as revenue in the period that the contributions or unconditional promises to give are received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of Young Storytellers and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Young Storytellers.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Young Storytellers and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

The Young Storytellers Foundation
Notes to Financial Statements—Continued

Note A—Organization and Summary of Significant Accounting Policies—Continued

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from funds is available for general support of Young Storytellers' programs and operations. Young Storytellers had no permanently restricted net assets at December 31, 2017.

Income Taxes—Young Storytellers is a California nonprofit public benefit corporation that serves charitable and educational purposes and is exempt under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. In addition, Young Storytellers has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2017. Generally, Young Storytellers' information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—Young Storytellers considers highly liquid investments with a maturity of less than three months to be cash equivalents.

Equipment—Equipment is stated at purchased cost or fair value at the date of donation. Young Storytellers capitalizes assets with an initial purchase price of \$2,500 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Concentrations of Credit Risk—Young Storytellers places its cash with a high credit quality financial institution where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Young Storytellers' cash balances exceeded the FDIC insurance limit by \$136,205 at December 31, 2017. Management regularly reviews the financial stability of its cash depositories and deems the risk of loss due to these concentrations to be minimal.

Contributions receivable consist of balances from individuals, local foundations, corporations, and government agencies, and are all due within one year. Young Storytellers had determined that no allowance for potential losses due to uncollectible receivables was necessary at December 31, 2017.

Revenue Recognition—Young Storytellers' revenue recognition policies are as follows:

Grants—Revenues from grants are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred.

Program revenue—Program revenue is recognized at the time services are provided.

The Young Storytellers Foundation
Notes to Financial Statements—Continued

Note A—Organization and Summary of Significant Accounting Policies—Continued

Donated Services—Donated services are not reflected in the accompanying financial statements as the revenue and expense recognition criteria under GAAP were not met. In order to expand the reach of its programs, Young Storytellers utilizes the services of a substantial number of volunteers who have donated a significant number of hours to the organization’s program services, management, and fund development activities. During the year ended December 31, 2017, Young Storytellers’ network of volunteers donated 23,694 service hours to the organization. Young Storytellers values these donated services at \$689,258, based on an estimated rate of volunteer time of \$29.09 per hour, as determined specifically for California as recently as 2017 by Independent Sector, a leading resource and research organization for the nonprofit industry.

Functional Allocation of Expenses—The costs of providing the various programs and student activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B—Pledges and Grants Receivable

Pledges and grants receivable at December 31, 2017, by funder category, consist of the following:

Pledges from:		
Individuals	\$	20,450
Corporations		69,450
Grants from:		
Foundations		45,000
Corporations		30,000
Government agencies		39,700
		<hr/>
Total	\$	<u>204,600</u>

Note C—Equipment, Net

Net equipment at December 31, 2017 consists of the following:

Equipment	\$	21,216
Less accumulated depreciation		(19,622)
		<hr/>
Net	\$	<u>1,594</u>

The Young Storytellers Foundation
Notes to Financial Statements—Continued

Note D—Note Payable to Related Party

Young Storytellers had a related party loan from a former board member, which was paid off in full during 2017. Young Storytellers repaid this loan balance over five years, beginning January 1, 2013, at an annual interest rate of 2.64%, with monthly payments of \$2,730.

During 2017, Young Storytellers made loan payments totaling \$30,032, with \$29,639 paid on principal and \$393 paid on interest.

Note E—Commitments and Contingencies

Young Storytellers rents office space in Los Angeles under a non-cancelable operating lease that ended in February 29, 2016, upon which the lease agreement converted to a month-to-month basis.

Rent expense related to the above month-to-month operating lease for the year ended December 31, 2017 was \$32,400.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Young Storytellers deems the contingency relating to any required return of funds to any grantor to be remote based on the organization's evaluation of the grant requirements prior to the receipt of the grant and in connection with approval of any expenditures.

Note F—Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2017 consist of amounts restricted by donor-imposed stipulations to fund expenses in the following program areas:

YSF Student Cycle Programs	\$	100,500
Program salary support		39,700
Capacity building		10,000
Programmatic and supporting services for future periods		40,000
		<hr/>
Total	\$	<u>190,200</u>

Note G—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for Young Storytellers in 2020; early adoption is permitted. Young Storytellers is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

The Young Storytellers Foundation
Notes to Financial Statements—Continued

Note G—Recent Accounting Pronouncements—Continued

Net Assets Presentation—In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for Young Storytellers in 2018. Early adoption is permitted. Young Storytellers is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Note H—Subsequent Events

Management evaluated all activities of The Young Storytellers Foundation through August 22, 2018, the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.