

YMCA Youth Leadership Academy, Inc.

Milwaukee, Wisconsin

Financial Statements

For the Year Ending June 30, 2010

YMCA Youth Leadership Academy, Inc.

Financial Statements
Year Ended June 30, 2010

Table of Contents

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities.....	3
Statements of Cash Flows	4
Notes to Consolidated Financial Statements.....	5



Independent Auditor's Report

Board of Directors
YMCA Youth Leadership Academy, Inc.
Milwaukee, Wisconsin

We have audited the accompanying statement of financial position of YMCA Youth Leadership Academy, Inc., a subsidiary of the Young Men's Christian Association of Metropolitan Milwaukee, Inc., as of and for the year ended June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of The Young Men's Christian Association of Metropolitan Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 YMCA Youth Leadership Academy, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

October 12, 2010
Milwaukee, Wisconsin

YMCA Youth Leadership Academy, Inc.

Financial Statements

Statements of Financial Position

June 30, 2010

Assets	
Current assets:	
Cash	\$ 73,918
Accounts receivable - Net	364,738
Unconditional promises to give	741
Accounts receivable - YMCA	505,432
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Total current assets	944,829
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TOTAL ASSETS	\$ 944,829

Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 261,793
Accrued expenses	12,700
Accrued payroll and benefits	184,329
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Total current liabilities	458,822
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Net assets:	
Unrestricted	475,766
Temporarily restricted	10,241
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Total net assets	486,007
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TOTAL LIABILITIES AND NET ASSETS	\$ 944,829

See accompanying notes to financial statements.

YMCA Youth Leadership Academy, Inc.

Statements of Activities Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Public support:			
Government grants			
Department of Public Instruction grants	\$ 644,441	\$ -	\$ 644,441
Charter School State aid	3,770,875	-	3,770,875
Food service	236,376	-	236,376
Other	121,546	-	121,546
Contributions	259,702	2,500	262,202
Total public support	5,032,940	2,500	5,035,440
Revenue:			
Student food services	6,964	-	6,964
Student uniforms	7,726	-	7,726
Other	87,809	-	87,809
Total revenue	102,499	-	102,499
Net assets released from restrictions	27,481	(27,481)	-
Total public support and revenue	5,162,920	(24,981)	5,137,939
Expenses:			
Program expenses	4,421,724	-	4,421,724
Management and general	434,464	-	434,464
Fundraising	79,730	-	79,730
Total expenses	4,935,918	-	4,935,918
Change in net assets	227,002	(24,981)	202,021
Net assets - Beginning of year as previously reported	80,965	35,222	116,187
Prior period adjustment - Overstatement of accrued payroll and benefits	167,799	-	167,799
Net assets - Beginning of year as restated	248,764	35,222	283,986
Net assets - End of year	\$ 475,766	\$ 10,241	\$ 486,007

YMCA Youth Leadership Academy, Inc.

Statements of Cash Flows

Year Ended June 30, 2010

Cash flows from operating activities:	
Change in net assets	\$ 202,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in allowance for doubtful accounts	(1,500)
Change in assets and liabilities:	
Accounts receivable	(188,238)
Unconditional promises to give	35,981
Accounts receivable - YMCA	(113,045)
Accounts payable	47,311
Accrued expenses	(14,400)
Accrued payroll and benefits	75,247
Net increase in cash	43,377
Cash at beginning	30,541
Cash at end	\$ 73,918
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Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ 9,998

YMCA Youth Leadership Academy, Inc.

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Activities

YMCA Youth Leadership Academy, Inc. ("Academy") is a not-for-profit organized under a charter granted by the Board of Regents of the University of Wisconsin System. The Academy operates the charter school, The Young Leaders Academy ("YLA") whose mission is to open portals of opportunity for children and adults in the Milwaukee community through excellence in public education that allows them to succeed by teaching them tools and the content knowledge necessary to participate as full citizens in our increasingly global culture.

The Academy is a wholly controlled subsidiary of the Young Men's Christian Association of Metropolitan Milwaukee, Inc. ("YMCA").

Basis of Presentation

The Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC) effective for financial statements for annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative accounting principles generally accepted in the United States ("GAAP") in one comprehensive set of guidance organized by subject area. In accordance with ASC, references to previously issued accounting standards have been replaced by ASC references. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with ACS 958, *Non-for-profit Entities*.

Estimates

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

Accounts Receivable

Accounts receivable consist primarily of amounts due from the Wisconsin Department of Public Instruction for tuition payments and from the YMCA, and are generally uncollateralized. The Academy uses the allowance method to account for uncollectible accounts receivable. Accounts receivable are shown net of an allowance for doubtful accounts of \$500 as of June 30, 2010.

YMCA Youth Leadership Academy, Inc.

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Classifications Net Asset

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Academy are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Academy pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Academy. The Academy does not currently have permanently restricted net assets.

Income Taxes

The Academy, qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and is exempt from Federal income taxes on related income pursuant to section 501(a) of IRC. The Academy is also exempt from State income taxes on related income.

The Academy adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*, on July 1, 2009. ASC 740-10 requires an organization to determine whether it's more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Academy recorded no assets or liabilities related to uncertain tax positions as a result of the adoption of ASC 740-10. Tax returns for the years ended June 30, 2009, 2008, and 2007 remain subject to examination by the applicable taxing authorities.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Academy 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. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

YMCA Youth Leadership Academy, Inc.

Notes to Consolidated Financial Statements

Note 1 **Summary of Significant Accounting Policies (Continued)**

Expense Allocation

The costs of providing the various programs and other 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 benefited. The supplemental schedule of expenses is reported on a contractual basis. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was \$53,236 for the year ended June 30, 2010.

Subsequent Events

Subsequent events have been evaluated through October 12, 2010, which is the date the financial statements were available to be issued.

Note 2 **Temporarily Restricted Net Assets**

2010

Temporarily restricted net assets at year end are composed of amounts restricted as to time	\$10,241
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Note 3 **Defined Contribution Retirement Plan**

The Academy employees are covered under the YMCA's defined contribution, individual account, money purchase retirement plan which covers all eligible employees. The Plan is administered by the Young Men's Christian Association Retirement Fund (a separate corporation). The Academy makes contributions to the plan based on a percentage of the participating employee's salary, to be remitted to the YMCA Retirement Fund monthly. Plan expense was \$107,551 for the year ended June 30, 2010.

The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized or reorganized YMCA's in the United States of America. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

YMCA Youth Leadership Academy, Inc.

Notes to Consolidated Financial Statements

Note 4 **Concentrations**

The Academy received \$4,651,692 of its funding from the Wisconsin Department of Public Instruction during the year ended June 30, 2010. The receivable from this grantor amounted to \$193,969 at June 30, 2010.

Note 5 **Related Party**

The Academy is organized with the sole member of the corporation being the YMCA. The Academy is included in the consolidated financial statements of the YMCA as of the YMCA's year end, which is December 31.

The following is a list of transactions between the two organizations:

Accounts Receivable - YMCA

The amount due from the YMCA is unsecured and is due on demand. The balance in this account was \$505,432 for the year ended June 30, 2010.

Operating Lease

The Academy leases its facilities from the YMCA. This lease is accounted for as an operating lease. The lease expires June 30, 2011 and includes future minimum payments totaling \$500,982.

Rent expense on the operating lease was \$500,982 for the year ended June 30, 2010.

Administrative Services

The Academy pays the YMCA for administrative and information technology support services rendered on their behalf. These services amounted to \$501,645 for the year ended June 30, 2010.

Janitorial Services

The Academy pays the YMCA for janitorial services performed for the Academy. These services amounted to \$212,001 for the year ended June 30, 2010.

Line of Credit

The Academy can utilize a line of credit held by the YMCA. The Academy is charged interest at the applicable rate at that time.

Note 6 **Commitments and Contingencies**

Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Academy for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

YMCA Youth Leadership Academy, Inc.

Notes to Consolidated Financial Statements

Note 6 **Commitments and Contingencies** (Continued)

Letter of Credit

The Academy utilizes a letter of credit, approximately \$58,000, to satisfy requirements of the Wisconsin Unemployment Reserve Fund.

Note 7 **Prior Period Adjustments**

During 2010, management became aware that the liability for accrued payroll and benefits had not been calculated correctly at June 30, 2009. Net assets at July 1, 2009, were increased by \$167,799 to correct this error. The error had no effect on the change in net assets for the year ended June 30, 2010.