

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

***JASPERS + HALL, PC***  
***CERTIFIED PUBLIC ACCOUNTANTS***

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***7900 E. Union Avenue, Suite 900***  
***Denver, CO 80237***  
***(303) 773-3391***

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**YOUTHBIZ, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**  
**(With Comparative Totals for December 31, 2007)**

<b>ASSETS:</b>	<b>2008</b>	<b>2007</b>
Current Assets:		
Cash and Cash Equivalents	\$ 435,936	\$ 612,948
Investments	358,932	17,410
Accounts Receivable	5,913	8,155
Pledges Receivable - net	14,490	93,547
Grants Receivable	166,680	211,595
Prepaid Expenses and Other	6,358	3,092
Total Current Assets	988,309	946,747
Property and Equipment (Net)	1,167,279	442,503
Other Assets - Deferred Charges	20,550	-
<b>Total Assets</b>	<b>\$ 2,176,138</b>	<b>\$ 1,389,250</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current Liabilities:		
Accounts Payable	\$ 16,316	\$ 9,074
Line of Credit	-	145,000
Accrued Expenses	10,601	14,173
Interest Payable	139	898
Current Portion of Notes Payable	17,945	3,750
Total Current Liabilities	45,001	172,895
Long-Term Debt:		
Notes Payable	482,055	22,500
Total Long-term Debt	482,055	22,500
<b>Total Liabilities</b>	527,056	195,395
Net Assets		
Temporarily Restricted :		
Capital Campaign	1,090,178	815,932
Other	-	24,031
Unrestricted:		
Designated - Capital Campaign	-	406,290
Unrestricted Undesignated	558,904	(52,398)
Total Net Assets	1,649,082	1,193,855
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,176,138</b>	<b>\$ 1,389,250</b>

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

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**303-773-3391**

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**INDEPENDENT AUDITORS' REPORT**

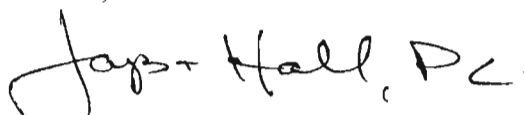
To the Board of Directors of  
YouthBiz, Inc. and subsidiary  
Denver, Colorado

We have audited the accompanying consolidated statement of financial position of YouthBiz, Inc. and subsidiary (Colorado not-for-profit organizations) as of December 31, 2008 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of YouthBiz, Inc. and subsidiary. 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 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 our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YouthBiz, Inc. and subsidiary as of December 31, 2008 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 of America.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with YouthBiz, Inc. financial statements for the year ended December 31, 2007, from which the summarized information was derived.

  
March 12, 2009

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Totals for the Year Ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Total	
			2008	2007
<b>REVENUE, SUPPORT AND OTHER INCOME:</b>				
Program Revenue - net of costs	\$ 32,868	\$ -	\$ 32,868	\$ 61,366
Government Grants/Contracts	92,050	2,813	94,863	92,228
Contributions:				
Foundations	287,513	62,088	349,601	384,735
United Way	108,959	-	108,959	101,366
Corporate	81,650	12,233	93,883	97,950
Individual	12,495	-	12,495	32,457
Special Events - net of costs	32,003	-	32,003	32,817
Investment Income	13,069	-	13,069	5,825
Unrealized loss on investments	(10,740)	-	(10,740)	
Gain on sale of assets	179,535	-	179,535	-
In-kind	46,773	334,720	381,493	45,582
Net Assets Released from Restrictions	161,639	(161,639)	-	-
Total Revenue, Support and Other Income	<u>1,037,814</u>	<u>250,215</u>	<u>1,288,029</u>	<u>854,326</u>
<b>EXPENSES:</b>				
Program	766,467	-	766,467	762,511
Management and General	28,455	-	28,455	56,643
Development	37,880	-	37,880	30,633
Total Expenses	<u>832,802</u>	<u>-</u>	<u>832,802</u>	<u>849,787</u>
Change in Net Assets	205,012	250,215	455,227	4,539
<b>Net Assets - Beginning of Year</b>	<u>353,892</u>	<u>839,963</u>	<u>1,193,855</u>	<u>1,189,316</u>
<b>Net Assets - End of Year</b>	<u>\$ 558,904</u>	<u>\$ 1,090,178</u>	<u>\$1,649,082</u>	<u>\$ 1,193,855</u>

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

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2008**  
**(With Comparative Totals for the Year Ended December 31, 2007)**

	Youth Unlimited Partnership		Tier 1 & 2 Program Services		YouthLink Program Services		Other Program Services		Total Program Services		General and Administrative		Development		Total Support Services		2008 Total		2007 Total	
Salaries - Staff	\$ 48,001	\$ 180,469	\$ 38,725	\$ 51,216	\$ 318,411	\$ 13,143	\$ 6,732	\$ 19,875	\$ 338,286	\$ 385,715										
Benefits and taxes - Staff	9,045	37,544	6,564	8,475	61,628	2,827	738	3,565	65,193	77,452										
Salaries - Youth		26,885	4,952	9,894	41,731	-	-	-	41,731	44,539										
Benefits and taxes - Youth		4,391	743	1,497	6,631	-	-	-	6,631	6,183										
Incentives	9,162	89,994	-	4,159	103,315	-	-	-	103,315	100,143										
Occupancy	-	50,948	15,992	11,239	78,179	3,032	-	3,032	81,211	62,855										
Contract services	2,355	14,638	-	19,265	36,258	4,789	185	4,974	41,232	21,514										
Supplies	2,215	32,279	1,415	2,934	38,843	1,444	742	2,186	41,029	34,388										
Miscellaneous	-	48	735	1,095	1,878	2,437	320	2,757	4,635	3,541										
Printing and publications	-	3,706	-	5,797	9,503	126	424	550	10,053	7,092										
Travel	69	955	258	283	1,565	483	2,059	2,342	4,107	2,731										
Training and meetings	2,150	3,860	255	364	6,629	1,660	1,077	2,737	9,366	4,415										
Telephone	360	8,809	1,368	2,416	12,953	1,063	536	1,599	14,552	10,315										
Insurance	903	3,686	595	1,548	6,732	256	107	363	7,095	6,796										
Equipment rental and maintenance	-	2,581	-	7,219	9,800	144	1,943	2,087	11,887	6,543										
Equipment purchases	-	-	-	-	-	-	-	-	-	4,605										
Legal and audit	-	-	-	-	-	7,000	-	-	7,000	6,500										
Interest	-	5,303	-	670	5,973	1,498	-	1,498	7,471	16,642										
Postage and shipping	8	266	-	-	274	400	2,506	2,906	3,180	4,716										
Advertising	-	-	-	-	875	-	-	-	875	18,657										
Bad debts	-	-	-	-	1,419	-	-	-	20,000	-										
Indirect cost allocation	-	-	-	12,157	12,157	(12,157)	-	-	-	(12,157)										
Total expenses before depreciation and capitalized assets	74,268	466,362	73,896	140,228	734,754	28,145	37,369	65,514	820,268	825,342										
Capitalized assets Depreciation	-	-	-	-	-	310	511	821	12,534	(4,605)										
Total expenses	\$ 74,268	\$ 477,417	\$ 74,554	\$ 140,228	\$ 766,467	\$ 28,455	\$ 37,880	\$ 66,335	\$ 832,802	\$ 849,786										

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

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(With Comparative Totals for the Year Ended December 31, 2007)

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in Net Assets	\$ 455,227	\$ 4,539
<b>Adjustments to Reconcile Net Assets to to Net Cash Used for Operations:</b>		
Depreciation	12,534	29,049
In Kind Contributions - net	(330,000)	(10,232)
Debt forgiveness	(2,813)	(3,750)
Bad Debt Expense	21,419	-
Net Gain on Sale of Assets	(179,535)	-
Unrealized loss on Investment	10,740	9,664
Decrease in Accounts Receivable	2,242	(5,935)
Decrease in Grants Receivable	44,915	67,189
Decrease (Increase) in Pledges Receivable	57,638	(59,836)
(Increase) Decrease in Prepaid Expenses	(3,266)	17,859
Increase in Accounts Payable	7,242	1,118
Decrease in Accrued Expenses	(3,572)	(7,198)
(Decrease) Increase in Interest Payable	(759)	285
Net Cash Provided by Operating Activities	92,012	42,752
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(834,150)	(4,605)
Proceeds from sale of Assets- net of closing costs	712,388	-
Purchase of Investments	(352,262)	-
Net Cash Provided by Investing Activities	(474,024)	(4,605)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of Note Payable	(150,000)	-
Payments on Line of Credit	(145,000)	(54,000)
Proceeds from Loan Payable	500,000	-
<b>Net Cash Provided by Financing Activities</b>	<b>205,000</b>	<b>(54,000)</b>
<b>Net Decrease in Cash</b>	<b>(177,012)</b>	<b>(15,853)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>612,948</b>	<b>628,801</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 435,936</b>	<b>\$ 612,948</b>

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

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

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**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

YouthBiz, Inc., (the Organization) was formed September 30, 1992, as a non-profit organization and incorporated in the state of Colorado. The mission of the YouthBiz, Inc. is business and leadership training for inner-city teens. The Organization's support comes from individual and corporate donor contributions, various grants, and program service revenue.

**Basis of Accounting**

The financial statements are presented on the accrual basis of accounting. The consolidated financial statements include the account of the Organization and its wholly owned subsidiary, YouthBiz, LLC. All significant intercompany accounts and transactions are eliminated in consolidation.

YouthBiz, LLC is a limited liability company formed in December 2008 to acquire a multi-tenant office/retail condominium spaces within the residential building located at 3280 Downing Street.

**Support and Expenses**

Contributions received are measured at their fair values and are reported as an increase in net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions restrictions met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual promises-to-give receivables. Changes in the valuation allowance have not been material to the financial statements.

**Donated Services**

A substantial number of volunteers have donated significant amounts of their time in connection with the Organization's activities. Contributed services that do not require specialized skills and would not be purchased if not donated are not recorded in the financial statements.

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

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**NOTE 1    NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking accounts and money markets with maturities of less than 90 days.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

Investments are composed of certificates of deposits maturing in over 90 days and equity securities and recorded at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Property and Equipment**

YouthBiz follows the practice of capitalizing, at cost or estimated fair value at date of donation, all expenditures for fixed assets in excess of \$1,000. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method as follows:

Condominium	39.5 years
Computers and Equipment	7 years
Leasehold Improvements	3 years
Donated Equipment and Furniture	3 years

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization does engage in unrelated business activities; however, these activities have resulted in net losses. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

**Functional Allocation of Expenses**

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

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**NOTE 2 CASH AND CASH EQUIVALENTS**

As of December 31, 2008 cash and cash equivalents were composed as follows:

Petty Cash	\$ 350
Checking	32,288
Certificate of Deposit	91,293
Money Market	<u>312,005</u>
Total	<u>\$ 435,936</u>

At December 31, 2008, the Organization had cash deposits in various bank accounts of \$107,313. These deposits are in FDIC-insured institutions. The Organization also had deposits of \$312,005 insured by SIPC. Management believes the risk associated with these deposits is minimized as they are maintained at nationally recognized financial institutions.

**NOTE 3 INVESTMENTS**

As of December 31, 2008, investments consisted of the following:

Certificates of Deposit	\$352,263
Equity Securities	<u>6,669</u>
Total	<u>\$358,932</u>

**NOTE 4 PROPERTY AND EQUIPMENT**

As of December 31, 2008, property and equipment consisted of the following:

Computers and Equipment	\$ 110,425
Building	115,000
Land	265,000
Construction in Progress	61,600
Condominium	700,000
Leasehold Improvement	<u>76,513</u>
Total Property and Equipment	1,328,538
Less Accumulated Depreciation	<u>(161,259)</u>
Net Property and Equipment	<u>\$1,167,279</u>

Depreciation expense for 2008 was \$12,534.

**NOTE 5 GRANTS RECEIVABLE,**

Grant receivables are deemed to be fully collectible by management and were comprised of the following amounts due at December 31, 2008:

Colorado Dept of Public Health	\$ 5,907
Colorado Foundation for Family and Children	4,138
Urban Peak	9,415
Dept of Housing and Urban Development	<u>147,220</u>
Total	<u>\$ 166,680</u>

**YOUTHBIZ, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

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**NOTE 6**    **PLEDGES RECEIVABLE**

As of December 31, 2008, Pledges receivable consisted of the following:

Gross Pledges Receivable	\$ 36,468
Allowance for Uncollectible Amounts	<u>(21,978)</u>
Net Pledges Receivable	<u>\$ 14,490</u>

**NOTE 7**    **LOAN PAYABLE**

As of December 31, 2008, loan payable was composed of the following:

**Key Community Development New Markets, LLC**

Key Community Development New Markets, LLC  
a three-year loan at 1%, payable in monthly installments  
of \$1,887, secured by first deed of trust and assignment  
of rents, maturing December 2011

	\$500,000
Less Current portion of long-term debt	<u>(17,945)</u>
Total Long-term Debt	<u>\$482,055</u>

Maturities by year are as follows:

2009	\$ 17,945
2010	17,834
Remaining	<u>464,221</u>
	<u>\$500,000</u>

**City and County of Denver – Note Agreement**

In November 2001, YouthBiz entered into an agreement with the City and County of Denver to purchase land for \$150,000 to use as a nonprofit community training facility for future operations. This agreement consisted of a cancellable note/grant which would be forgiven if specific compliance restrictions were met through December 31, 2014. This amount had previously been carried on the balance sheet of YouthBiz and was being amortized over the expected life of the restrictions. In October 2008, YouthBiz sold this property and therefore required to pay the original amount of the note in full. The amount previously charged to loan balance was \$123,750.

**NOTE 8**    **COMMITMENTS**

Rental Lease

In August 2007, YouthBiz signed a two-year rental operating lease for their administrative office and program activities at 3535 Larimer Street in Denver, Colorado. This lease commenced in September 2007 and ends in August 2009 with an additional option year if desired. Rental expense for the year ended December 31, 2008 was \$67,520.

Future minimum payments are as follows:

2009	\$31,824
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**YOUTHBIZ, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008**

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**NOTE 9 DONATED ASSETS**

In December 2008, YouthBiz purchased the multi-tenant Office/Retail Condominium Spaces within the Residential Building located at 3280 Downing Street for \$750,000. The purchase price also included an excess land parcel (site occupied by a modular structure only – 3305 Downing) valued at \$330,000 by the city and county tax assessor.

**NOTE 10 GAIN ON SALE OF ASSETS**

In October 2008, YouthBiz sold its land at 2510 Welton Street for \$756,000. The net pretax gain from the sale was \$179,535 and is included in “Gain from sale of assets” in the 2008 Statement of Activities.

**NOTE 11 YOUTHBIZ, LLC**

As of December 31, 2008, the financial position of YouthBiz, LLC is as follows:

**ASSETS**

Fixed Assets	\$750,000
Other Assets	<u>20,550</u>
Total Assets	<u>\$770,550</u>

**LIABILITIES & NET ASSETS**

Current Liabilities:

Accrued expenses and deposits	\$ 405
Current portion of long-term debt	<u>17,945</u>
Total Current Liabilities	18,350

Long-term Debt 482,055

TOTAL LIABILITIES 500,405

Net Assets 270,145

TOTAL LIABILITIES AND NET ASSETS \$770,550