

Audited Financial Statements



May 31, 2021

Quigley & Miron

Youth Science Institute
Audited Financial Statements
Table of Contents
May 31, 2021

	<u>Page Number</u>
Independent Auditor's Report.....	1
Audited Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Youth Science Institute
Los Gatos, California

We have audited the accompanying financial statements of Youth Science Institute (YSI), a nonprofit organization, which comprise the statement of financial position as of May 31, 2021, 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 Youth Science Institute as of May 31, 2021, 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.

Report on Summarized Comparative Information

We previously conducted a review of YSI's May 31, 2020 financial statements, and, in our report dated January 29, 2021, we stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink, reading "Zigley & Miron". The script is fluid and cursive, with the ampersand clearly visible between the two names.

Campbell, California
March 15, 2022

Youth Science Institute
Statement of Financial Position
May 31, 2021
(with comparative totals for 2020)

	2021	2020
	Audited	Reviewed
Assets		
Cash and cash equivalents	\$ 208,130	\$ 271,306
Restricted cash		
PPP advance—Note 8	61,051	
Cash held for endowment	13,492	13,203
Investments—Note 4	18,940	13,480
Accounts receivable	4,925	10,586
Government grants receivable—Note 5	16,666	16,666
Prepaid expenses	10,985	4,837
In-kind building and land leases—Note 6	83,560	156,784
Property and equipment, net—Note 7	732,901	780,748
Collections—Note 2		
	Total Assets	Total Assets
	\$ 1,150,650	\$ 1,267,610
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,429	\$ 4,456
Salaries and employee benefits payable	24,950	23,293
Deferred revenue	130,750	24,213
PPP advance—Note 8	61,051	
	Total Liabilities	Total Liabilities
	218,180	51,962
Net Assets		
Without donor restrictions	726,131	948,043
With donor restrictions—Note 9	206,339	267,605
	Total Net Assets	Total Net Assets
	932,470	1,215,648
Total Liabilities and Net Assets	\$ 1,150,650	\$ 1,267,610

See notes to financial statements.

Youth Science Institute
Statement of Activities
May 31, 2021
(with comparative totals for 2020)

	2021 Audited			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Reviewed
Operating Activities				
Public Support and Revenue				
Program fees	\$ 55,652	\$	\$ 55,652	\$ 482,802
Grants and contributions	119,952	66,199	186,151	366,297
In-kind building and land leases—Note 6	62,576		62,576	66,140
Government grants	115,000		115,000	100,000
Other income				1,675
Interest and dividends—Note 4	605	789	1,394	2,288
Net assets released from restrictions	133,214	(133,214)		
Total Public Support and Revenue	486,999	(66,226)	420,773	1,019,202
Expenses				
Program services	521,528		521,528	692,654
Supporting services				
Management and general	131,422		131,422	310,394
Fundraising	55,811		55,811	55,269
Total Expenses	708,761		708,761	1,058,317
Change in Net Assets From Operations	(221,762)	(66,226)	(287,988)	(39,115)
Nonoperating Activities				
Investment return, net—Note 4	(150)	4,960	4,810	(2,603)
Total Nonoperating Activities	(150)	4,960	4,810	(2,603)
Change in Net Assets	(221,912)	(61,266)	(283,178)	(41,718)
Net Assets at Beginning of Year	948,043	267,605	1,215,648	1,257,366
Net Assets at End of Year	\$ 726,131	\$ 206,339	\$ 932,470	\$ 1,215,648

See notes to financial statements.

Youth Science Institute
Statement of Functional Expenses
May 31, 2021
(with comparative totals for 2020)

	2021 Audited				2020 Reviewed
	Youth Science Programs	Supporting Services		Total	
		General and Administrative	Fundraising		
Salaries and wages	\$ 189,272	\$ 48,427	\$ 37,052	\$ 274,751	\$ 522,670
Payroll taxes	21,201	6,150	3,882	31,233	44,348
Employee benefits	14,117	2,762	2,246	19,125	39,905
Total Personnel Expenses	224,590	57,339	43,180	325,109	606,923
Rent	109,438	16,094	3,219	128,751	128,751
Professional services	23,219	33,988	450	57,657	63,817
Depreciation	46,766		1,081	47,847	47,498
Advertising	11,789	11,788		23,577	30,455
Computer, internet, and telephone	21,106	1,070		22,176	27,586
Utilities	16,523	2,430	485	19,438	21,034
Insurance	12,393	5,506	155	18,054	16,183
Bank fees and payroll processing	9,813	625	3,433	13,871	27,598
Site improvements	11,027			11,027	7,871
Outside services	6,931	1,770	1,333	10,034	29,916
Repairs, maintenance, and small equipment	8,511			8,511	11,980
Supplies	5,666	462		6,128	7,743
Animal care	5,614			5,614	7,668
Dues and subscriptions	4,843	75	188	5,106	6,630
Travel	3,235	64	70	3,369	5,694
Postage and shipping	44	63	1,080	1,187	807
Printing	20		848	868	
Miscellaneous		148	289	437	10,163
Total Expenses	\$ 521,528	\$ 131,422	\$ 55,811	\$ 708,761	\$ 1,058,317

See notes to financial statements.

Youth Science Institute
Statement of Cash Flows
May 31, 2021
(with comparative totals for 2020)

	2021	2020
	Audited	Reviewed
Cash Flows from Operating Activities		
Change in net assets	\$ (283,178)	\$ (41,718)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	47,847	47,498
Investment (gains) losses	(5,110)	2,303
Changes in operating assets and liabilities:		
Accounts receivable	5,661	4,534
Prepaid expenses	(6,148)	6,558
Building and land leases	73,224	69,661
Accounts payable and accrued expenses	(3,027)	(1,413)
Salaries and employee benefits payable	1,657	(10,720)
Deferred revenue	106,537	(234,956)
PPP advance	61,051	
Cash Used in Operating Activities	(1,486)	(158,253)
Cash Flows from Investing Activities		
Purchase of property and equipment		(2,927)
Proceeds from sale of investments		32
Purchases of investments	(350)	(1,099)
Cash Used in Investing Activities	(350)	(3,994)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(1,836)	(162,247)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	284,509	446,756
Cash, Cash Equivalents, and Restricted Cash at End of Period	<u>\$ 282,673</u>	<u>\$ 284,509</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Youth Science Institute
Notes to Financial Statements
May 31, 2021
(with comparative totals for 2020)

Note 1—Organization

The mission of Youth Science Institute (YSI) is to “inspire enthusiasm for science and a love of learning” in people of all ages. YSI’s core programs are School and Group Programs, Summer Science Camps, and Science Safaris, teaching hands-on, nature-based science to nearly 30,000 individuals per year. The vast majority of the individuals YSI teaches are schoolchildren (K-6) who are introduced to YSI through its School and Group Programs. YSI is committed to ensuring these programs are available to low-income, academically at-risk, and underserved populations.

Early childhood science education is important, but most public schools face obstacles to including it in their curriculum. Many public school teachers do not have the time, science background, instructional materials, or facilities to teach science, yet studies show that early exposure of children to STEM subjects is critical to sparking a life-long interest. The need to enhance science education through out-of-school providers like YSI is underscored by a study of California elementary schools revealing 40% of K-5 teachers spend 60 minutes or less per week on science and 13% spend 30 minutes or less on science. Source: Dorph, R., Shields, P., Tiffany-Morales, J., Hartry, A., McCaffrey, T. (2011). The status of science education in the California: Research brief. Lawrence Hall of Science, University of California, Berkeley, California, and SRI International.

YSI maintains three Science and Nature Centers delivering hands-on, nature-based science programs: Alum Rock Park, San Jose; Sanborn County Park, Saratoga; and Vasona Lake County Park, Los Gatos. Each Science and Nature Center has specialized and unique artifacts, collections, and resources that connect children with nature while teaching science. If teachers cannot bring their students to YSI, YSI brings their programs to them. YSI’s inquiry-based, life, physical, earth, and social science programs enrich traditional school-based curricula by providing authentic engagement. For example, rather than learning about the Ohlone Indians by reading about them in a book, the YSI program immerses children in the Ohlone Indians’ way of life, culture, customs, history, and the environment in which they lived.

YSI’s experiential, hands-on, park-based programs spark interest and engagement in a way that no other learning opportunity can: half of its programs feature a nature walk and/or a hands-on encounter with its collection of live animals. For example, in YSI’s *Animals and Their Adaptations* program, children get a unique hands-on experience with live animals – from toads, newts, snakes, and turtles, to bearded dragons and chinchillas.

YSI believes, as Margaret Mead said, “Children must be taught how to think, not what to think.” As such, YSI encourages children to be active participants in their own learning. The hands-on nature of YSI programs helps children see that science is fun and exciting, and has real world applications. When children see the relevance of science, learning becomes more meaningful and memorable. YSI’s goals are to encourage the development of 21st century skills such as critical thinking, problem solving, creativity, communication, and teamwork that are necessary for academic and, ultimately, economic success.

Whether delivered indoors or outdoors, YSI programs help to connect children with the wonders of nature through the principles of the scientific process. Children learn cause and effect, and that each decision has an impact. YSI nature-based programs help children understand John Muir’s wisdom: “When we tug at a single thing in nature, we find it is attached to the rest of the world.” This understanding helps children develop skills for making good stewardship choices for local environments and the planet.

During the fiscal year ended May 31, 2021, YSI delivered 244 hands-on School and Group Programs to 6,275 K-6 public school students children, 42% of whom were from low-income, Title I-eligible schools (based on the percent of students eligible for free and reduced-price meals). Of the programs offered during the year, 102 were provided for free to low-income, Title I-eligible schools. YSI also served 1,475 individuals through its Science Safaris.

Note 2—Summary of Significant Accounting Policies

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. YSI recognizes grants and contributions as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of YSI and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of YSI. These net assets may be used at the discretion of YSI's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of YSI and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit YSI to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of programs to help to connect children with the wonders of nature through the principles of the scientific process, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—YSI is exempt from federal income taxes 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 financial statements.

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 May 31, 2021. Generally, YSI's information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Recently Adopted Accounting Principles

Revenue Recognition—In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. YSI has adopted ASU No. 2014-09 for the year ended May 31, 2021, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements.

Youth Science Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Restricted Cash—In February 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents with cash and cash equivalents to reconcile the amounts on the balance sheet to the statement of cash flows. Entities are required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. The Organization has adopted ASU No. 2016-18 on a retrospective basis for the year ended May 31, 2021, and has adjusted the presentation of the financial statements accordingly.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that receive or make contributions (grants). ASU No. 2018-08 has been adopted by YSI for the year ended May 31, 2020, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements. YSI has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

Cash, Cash Equivalents, and Restricted Cash—YSI considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash consists of the PPP advance (see Note 8) and cash held for endowment (see Note 10).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position to the sum total of cash, cash equivalents, and restricted cash reported in the statement of cash flows at May 31, 2021:

Cash Accounts Reported in Statement of Financial Position	
Cash and cash equivalents	\$ 208,130
PPP advance—restricted cash	61,051
Restricted cash held for endowment	13,492
	<hr/>
Total Cash, Cash Equivalents, and Restricted Cash	
Reported in Statement of Cash Flows	<u>\$ 282,673</u>

Property and Equipment—Depreciable assets are recorded at historical cost or fair market value at date of donation and are depreciated using the straight-line method over their useful lives, ranging from three to seven years. It is YSI's policy to expense items under \$500.

Collections—YSI has a collection of animal skins and mounts, bird mounts, rocks and other geographical artifacts, Native American artifacts, and other nature-based teaching materials of value, that have been donated or purchased by YSI since 1953. A portion of the overall collection is on display at YSI's three Science and Nature Centers. A significant portion is in storage due to lack of display space. YSI does not currently have a staff curator; care and inventory of the collection is managed by staff on an as-needed basis. Contributions or purchases of items for the collection are not reflected in the accompanying statements of financial position since YSI does not capitalize collections.

Deferred Revenue—Deferred revenue consists primarily of funds received for program fees in advance of an upcoming event. YSI records these transactions as deferred revenue until the event occurs.

Youth Science Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Concentrations of Credit Risk—Financial instruments which potentially subject the YSI to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. YSI maintains cash balances with various high quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of loss due to these concentrations to be minimal. Cash held in investment accounts are insured by the Securities Investors Protection Corporation (SPIC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, such balances of cash and cash equivalents, and investments in securities may be in excess of the FDIC and SPIC coverage limits. In addition, investments in securities are subject to fluctuations in the securities market and thus exposed to market risk. YSI's management has assessed the credit risk associated with cash balances and investments held at May 31, 2021 and has determined that an allowance for potential losses due to credit risk is not necessary. Receivables are from well-known government entities well-known to YSI and has determined that an allowance for uncollectible accounts is not necessary.

Program Fees—Program fees are recognized at the time services are performed.

Grants and Contributions—Contributions are reported as support revenue in the period received and as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities.

In-Kind Contributions—Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. YSI also receives in-kind contributions in the form of free use of its various program facilities. In-kind contributions are valued based upon the estimated rental rates for use of these facilities. These amounts are classified as rent and utilities on the statement of functional expenses.

Government Grants—Revenues from government grants are reported as increases in net assets without donor restrictions as allowable expenditures under such agreements are incurred or the fulfillment of grant restrictions. The amounts expended in excess of reimbursements are reported as grants receivable.

Advertising—YSI's policy is to expense advertising costs as they are incurred. Advertising expenses for the years ended May 31, 2021 and 2020 were \$23,577 and \$30,455, respectively.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Youth Science Institute
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly certain costs have been allocated between program services and supporting services benefitted. Salaries, payroll taxes, and employee benefits are allocated based on time and effort of employees and are used to allocate all indirect expenses. Rent, depreciation, and utilities are allocated based on space estimates. All other expenses are allocated directly to the program function or supporting service benefitted.

Comparative Totals for 2020—The accompanying financial statements include certain prior-year comparative financial 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 YSI's reviewed financial statements for the year ended May 31, 2020, from which the information was derived.

Reclassifications—Certain amounts in 2020 have been reclassified to conform with the 2021 financial statement presentation.

Note 3—Availability and Liquidity

YSI's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$200,000). As part of its liquidity plan, excess cash is invested in short-term investments, including equity securities and mutual funds.

The following represents the availability and liquidity of YSI's financial assets at May 31, 2021 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$	138,616
Accounts receivable		4,925
Government grants receivable		16,666
Current Availability of Financial Assets	\$	<u>160,207</u>

Note 4—Investments and Fair Value

Investments consist of the following as of May 31, 2021 and 2020:

	2021	2020
	Audited	Reviewed
Equity securities	\$ 10,296	\$ 8,536
Mutual funds	8,644	4,944
Total	\$ <u>18,940</u>	\$ <u>13,480</u>

Youth Science Institute
Notes to Financial Statements—Continued

Note 4—Investments and Fair Value—Continued

Investment activity for the years ended May 31, 2021 and 2020 was as follows:

	2021 Audited	2020 Reviewed
Unrealized investment gains (losses)	\$ 5,110	\$ (2,335)
Realized investment gains		32
Investment management fees	(300)	(300)
Investment Return, Net	4,810	(2,603)
Interest and dividends	1,394	2,288
Total Return on Investment	\$ 6,204	\$ (315)

In determining the fair value of investments, YSI utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. YSI determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to YSI at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

YSI may utilize a practical expedient, Net Asset Value (NAV) per share (or its equivalent), for measuring the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Assets and liabilities measured on a recurring basis at May 31, 2021 and 2020 consist of the following:

	Fair Value	Level 1	Level 2	Level 3
2021:				
Equity securities	\$ 10,296	\$ 10,296	\$	\$
Mutual funds	8,644	8,644		
Totals	\$ 18,940	\$ 18,940	\$	\$
2020:				
Equity securities	\$ 8,536	\$ 8,536	\$	\$
Mutual funds	4,944	4,944		
Totals	\$ 13,480	\$ 13,480	\$	\$

Youth Science Institute
Notes to Financial Statements—Continued

Note 5—Government Grants Receivable

Government grants receivable at May 31, 2021 and 2020 consist of receivables from the County of Santa Clara due within a year, totaling \$16,666 and \$16,666, respectively.

Note 6—In-Kind Building and Land Leases

In August 2017, YSI entered into two 65-month lease agreements with the County of Santa Clara for the use of its properties at Vasona Lake County Park and Sanborn County Park. YSI recorded the present value of the buildings and land rent of \$376,084 as *in-kind building and land leases* on the statement of financial position, as well as a corresponding contribution with donor restrictions as *in-kind building and land leases*, on the statement of activities for the year ended September 30, 2017.

The present value of this lease as of May 31, 2021 and 2020, was \$83,560 and \$156,784, respectively, based upon rental expense of \$79,401 and a discount rate of 5%.

Future anticipated amortization of the buildings and land leases is as follows:

<u>Year Ending May 31,</u>	
2022	\$ 72,271
2023	11,289
Total	<u>\$ 83,560</u>

Note 7—Property and Equipment, Net

Property and equipment, net at May 31, 2021 and 2020 consists of the following:

	2021	2020
	Audited	Reviewed
Leasehold improvements	\$ 1,602,309	\$ 1,602,309
Furniture and fixtures	236,137	236,137
Equipment and machinery	67,384	67,384
	1,905,830	1,905,830
Less accumulated depreciation	(1,172,929)	(1,125,082)
Property and Equipment, Net	<u>\$ 732,901</u>	<u>\$ 780,748</u>

Total depreciation expense recorded for the years ended May 31, 2021 and 2020 was \$47,847 and \$47,489.

Note 8—PPP Advance

On February 8, 2021, YSI received a Paycheck Protection Program (PPP) advance for \$61,051 from the U.S. Small Business Administration (SBA). The advance is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 13) to keep their workers on payroll. YSI has elected to record the PPP grant revenue upon receipt of the forgiveness letter from the SBA, which was received on June 15, 2021, subsequent to year-end.

Youth Science Institute
Notes to Financial Statements—Continued

Note 9—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended May 31, 2021 and 2020 are as follows:

	2021 Audited	2020 Reviewed
Subject to purpose restrictions:		
School programs	\$ 54,764	\$ 11,079
Summer science safaris	10,000	
Summer camp	2,500	
Administrative costs	2,250	2,250
Total Subject to Purpose Restrictions	69,514	13,329
Subject to time restrictions:		
Building and land lease	83,560	156,760
General support	20,833	70,833
Total Subject to Time Restrictions	104,393	227,593
Subject to YSI's endowment spending policy and appropriation:		
Subject to YSI's spending policy and appropriation	19,392	13,643
Total Subject to Appropriation	19,392	13,643
Held in perpetuity:		
Endowment	13,040	13,040
Total Held in Perpetuity	13,040	13,040
Total Net Assets with Donor Restrictions	\$ 206,339	\$ 267,605

Net assets released from donor restrictions for the years ended May 31, 2021 and 2020 are as follows:

	2021 Audited	2020 Reviewed
Satisfaction of purpose restrictions:		
School programs	\$ 7,090	\$ 69,697
Animal care	1,500	700
Alum rock	1,400	27,600
Total Satisfaction of Purpose Restrictions	9,990	119,487
Satisfaction of passage of time:		
Building and land leases	73,224	69,685
General support	50,000	34,722
Total Satisfaction of Time Restrictions	123,224	104,407
Total Net Assets Released from Donor Restrictions	\$ 133,214	\$ 223,894

Note 10—Endowment

YSI's endowment consists of funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of YSI has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, YSI classifies as net assets with donor restrictions held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by YSI in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA.

In accordance with UPMIFA, YSI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of YSI and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of YSI
- 7) The investment policies of YSI

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the net assets' perpetual in nature balance. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are required to be reported in net assets without donor restrictions. There were no such deficiencies as of May 31, 2021.

Return Objectives, Risk Parameters and Strategies—YSI's investment objectives are the preservation and protection of YSI's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments. Endowment assets include those assets of donor-restricted funds that YSI must hold in perpetuity.

Allowable investments of YSI shall be made exclusively with the following securities:

- 1) Federally-insured certificates of deposit at commercial banks or savings & loan institutions; not to exceed current FDIC limits;
- 2) U.S. Treasury securities and securities of Federal agencies and instrumentalities;
- 3) Repurchase agreements with financial institutions, collateralized by U.S. Treasury or Federal agency securities;
- 4) Money market funds that invest in securities approved under these guidelines.

In addition to the above instruments, the endowment fund may invest in investment grade corporate bonds. The endowment fund may also invest in common stocks or mutual funds up to 50% of the total endowment fund as deemed appropriate by the Finance Committee and the investment counselors.

Youth Science Institute
Notes to Financial Statements—Continued

Note 10—Endowment—Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy—YSI has a policy of appropriating for distribution each year an amount not to exceed 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, YSI considered the long-term expected return on its endowment. This is consistent with YSI's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended May 31, 2021 and 2020 are as follows:

	<u>Subject to Appropriation</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment Net Assets at May 31, 2019	\$ 14,559	\$ 13,040	\$ 27,599
Interest and dividends	1,537		1,537
Realized and unrealized gains	(2,303)		(2,303)
Investment management fees	(150)		(150)
	<hr/>	<hr/>	<hr/>
Endowment Net Assets at May 31, 2020	\$ 13,643	\$ 13,040	\$ 26,683
Interest and dividends	789		789
Realized and unrealized gains	5,110		5,110
Investment management fees	(150)		(150)
	<hr/>	<hr/>	<hr/>
Total Investment Return on Endowment Funds	5,749		5,749
	<hr/>	<hr/>	<hr/>
Endowment Net Assets at May 31, 2021	<u>\$ 19,392</u>	<u>\$ 13,040</u>	<u>\$ 32,432</u>

Note 11—Contingencies

Grants awarded to YSI are subject to the funding agencies' criteria, contract terms, and regulations under which expenditures may be charged and are subject to audit under such terms, regulations, and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, YSI could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the grants administered during the period. YSI would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

Youth Science Institute
Notes to Financial Statements—Continued

Note 12— Recent Accounting Pronouncements

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. YSI is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 13—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant unprecedented measures to mitigate the consequences of the pandemic. YSI has continued to monitor the ongoing impact of the pandemic response on overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on YSI, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 14—Subsequent Events

Management evaluated all activities of Youth Science Institute through March 15, 2022, which is the date the financial statements were available to be issued, and concluded that no material subsequent events, other than the PPP forgiveness described in note 8, have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.