YEAR UP, INC. AND AFFILIATE

CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

YEAR UP, INC. AND AFFILIATE

Contents
December 31, 2017 and 2016

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50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Directors of
Year Up, Inc. and Affiliate:

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Year Up, Inc. (a Massachusetts corporation, not for profit) and Affiliate, which comprise the consolidating statements of financial position as of December 31, 2017 and 2016, and the related consolidating statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Year Up, Inc. and Affiliate as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning & Co., P.C.

Westborough, Massachusetts
May 8, 2018

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Financial Position
December 31, 2017 and 2016

	2017				2016			
Assets	**Year Up, Inc.**	**YUPRO**	**Eliminations**	**Total**	**Year Up, Inc.**	**YUPRO**	**Eliminations**	**Total**
Current Assets:								
Cash and cash equivalents	$ 31,610,293	$ 680,130	$ -	$ 32,290,423	$ 22,118,795	$ 560,168	$ -	$ 22,678,963
Current portion of grants and pledges receivable, net	15,445,627	-	-	15,445,627	15,811,677	-	-	15,811,677
Internship receivable, net	10,335,571	655,193	(49,435)	10,941,329	12,342,205	464,028	-	12,806,233
Prepaid expenses and other	1,725,689	19,013	(44,134)	1,700,568	1,148,360	5,079	(39,403)	1,114,036
Total current assets	59,117,180	1,354,336	(93,569)	60,377,947	51,421,037	1,029,275	(39,403)	52,410,909
Grants and Pledges Receivable, net of current portion	20,355,318	-	-	20,355,318	20,903,985	-	-	20,903,985
Investments	10,343,764	-	-	10,343,764	9,241,588	-	-	9,241,588
Investment in YUPRO	480,000	-	(480,000)	-	480,000	-	(480,000)	-
Property and Equipment, net	22,966,233	-	-	22,966,233	23,001,248	-	-	23,001,248
Total assets	$ 113,262,495	$ 1,354,336	$ (573,569)	$ 114,043,262	$ 105,047,858	$ 1,029,275	$ (519,403)	$ 105,557,730
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable and accrued expenses	$ 7,726,556	$ 920,706	$ (93,569)	$ 8,553,693	$ 6,532,429	$ 737,771	$ (39,403)	$ 7,230,797
Deferred revenue	1,014,998	-	-	1,014,998	802,305	-	-	802,305
Current portion of deferred rent	816,453	-	-	816,453	693,890	-	-	693,890
Total current liabilities	9,558,007	920,706	(93,569)	10,385,144	8,028,624	737,771	(39,403)	8,726,992
Deferred Rent, net of current portion	12,036,569	-	-	12,036,569	12,853,022	-	-	12,853,022
Notes Payable	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
Total liabilities	21,594,576	1,920,706	(93,569)	23,421,713	20,881,646	1,737,771	(39,403)	22,580,014
Net Assets:								
Unrestricted	52,387,187	(566,370)	(480,000)	51,340,817	37,069,214	(708,496)	(480,000)	35,880,718
Temporarily restricted	39,280,732	-	-	39,280,732	47,096,998	-	-	47,096,998
Total net assets	91,667,919	(566,370)	(480,000)	90,621,549	84,166,212	(708,496)	(480,000)	82,977,716
Total liabilities and net assets	$ 113,262,495	$ 1,354,336	$ (573,569)	$ 114,043,262	$ 105,047,858	$ 1,029,275	$ (519,403)	$ 105,557,730

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

Consolidating Statements of Activities
For the Years Ended December 31, 2017 and 2016

	2017						2016					
	Year Up, Inc.						Year Up, Inc.					
	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total
Operating Revenues:												
Program service fees:												
Year Up	$ 56,719,019	$ -	$ 56,719,019	$ -	$ -	$ 56,719,019	$ 46,289,908	$ -	$ 46,289,908	$ -	$ -	$ 46,289,908
YUPRO, net of cost of sales of approximately $4,300,000 and $3,500,000 at December 31, 2017 and 2016, respectively	-	-	-	1,174,030	(143,314)	1,030,716	-	-	-	1,002,308	(284,699)	717,609
Grants and contributions	49,159,888	27,559,417	76,719,305	-	-	76,719,305	23,323,929	35,795,325	59,119,254	-	-	59,119,254
In-kind goods and services	523,222	-	523,222	-	-	523,222	586,076	3,173,200	3,759,276	-	-	3,759,276
Other revenue	1,511,557	-	1,511,557	-	(44,134)	1,467,423	712,672	-	712,672	-	(39,403)	673,269
Net assets released from restrictions	35,375,683	(35,375,683)	-	-	-	-	48,580,229	(48,580,229)	-	-	-	-
Total operating revenues	143,289,369	(7,816,266)	135,473,103	1,174,030	(187,448)	136,459,685	119,492,814	(9,611,704)	109,881,110	1,002,308	(324,102)	110,559,316
Operating Expenses:												
Direct service	95,778,938	-	95,778,938	-	(125,314)	95,653,624	79,362,145	-	79,362,145	-	(77,002)	79,285,143
Administrative and fundraising	22,798,607	-	22,798,607	-	(18,000)	22,780,607	20,636,058	-	20,636,058	-	(207,297)	20,428,761
Advocacy: influence and alumni	4,161,445	-	4,161,445	-	-	4,161,445	3,456,985	-	3,456,985	-	(400)	3,456,585
YUPRO	-	-	-	1,031,904	(44,134)	987,770	-	-	-	949,646	(39,403)	910,243
Total operating expenses	122,738,990	-	122,738,990	1,031,904	(187,448)	123,583,446	103,455,188	-	103,455,188	949,646	(324,102)	104,080,732
Changes in net assets from operations	20,550,379	(7,816,266)	12,734,113	142,126	-	12,876,239	16,037,626	(9,611,704)	6,425,922	-	-	6,478,584
Non-Cash Expenses	5,232,406	-	5,232,406	-	-	5,232,406	4,638,885	-	4,638,885	-	-	4,638,885
Changes in net assets	$ 15,317,973	$ (7,816,266)	$ 7,501,707	$ 142,126	$ -	$ 7,643,833	$ 11,398,741	$ (9,611,704)	$ 1,787,037	$ 52,662	$ -	$ 1,839,699

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

YEAR UP, INC. AND AFFILIATE

Consolidating Statements of Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	Year Up, Inc.					
	Unrestricted	Temporarily Restricted	Total	YUPRO	Eliminations	Total
Net Assets, December 31, 2015	$ 25,670,473	$ 56,708,702	$ 82,379,175	$ (761,158)	$ (480,000)	$ 81,138,017
Changes in net assets	11,398,741	(9,611,704)	1,787,037	52,662	-	1,839,699
Net Assets, December 31, 2016	37,069,214	47,096,998	84,166,212	(708,496)	(480,000)	82,977,716
Changes in net assets	15,317,973	(7,816,266)	7,501,707	142,126	-	7,643,833
Net Assets, December 31, 2017	$ 52,387,187	$ 39,280,732	$ 91,667,919	$ (566,370)	$ (480,000)	$ 90,621,549

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

Consolidating Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Year Up, Inc.	YUPRO	Total	Year Up, Inc.	YUPRO	Total
Cash Flows from Operating Activities:						
Changes in net assets	$ 7,501,707	$ 142,126	$ 7,643,833	$ 1,787,037	$ 52,662	$ 1,839,699
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Depreciation	4,422,763	-	4,422,763	3,265,662	-	3,265,662
Bad debt	286,421	-	286,421	787,147	-	787,147
(Gain) loss on investments	(691,980)	-	(691,980)	67,944	-	67,944
Contributed property and equipment	-	-	-	(3,173,200)	-	(3,173,200)
Changes in operating assets and liabilities:						
Grants and pledges receivables	714,733	-	714,733	(2,154,270)	-	(2,154,270)
Internship receivable	1,920,197	(191,165)	1,729,032	(3,769,250)	8,812	(3,760,438)
Prepaid expenses and other	(577,329)	(13,934)	(591,263)	1,726,831	74,160	1,800,991
Accounts payable and accrued expenses	861,185	182,935	1,044,120	187,048	274,941	461,989
Deferred revenue	212,693	-	212,693	496,126	-	496,126
Deferred rent	(693,890)	-	(693,890)	521,305	-	521,305
Net cash provided by (used in) operating activities	13,956,500	119,962	14,076,462	(257,620)	410,575	152,955
Cash Flows from Investing Activities:						
Acquisition of property and equipment	(4,054,806)	-	(4,054,806)	(2,827,236)	-	(2,827,236)
Purchases of investments	(4,924,763)	-	(4,924,763)	(4,735,789)	-	(4,735,789)
Sales of investments	4,514,567	-	4,514,567	4,854,241	-	4,854,241
Net cash used in investing activities	(4,465,002)	-	(4,465,002)	(2,708,784)	-	(2,708,784)
Net Change in Cash and Cash Equivalents	9,491,498	119,962	9,611,460	(2,966,404)	410,575	(2,555,829)
Cash and Cash Equivalents:						
Beginning of year	22,118,795	560,168	22,678,963	25,085,199	149,593	25,234,792
End of year	$ 31,610,293	$ 680,130	$ 32,290,423	$ 22,118,795	$ 560,168	$ 22,678,963
Supplemental Disclosure of Non-Cash Transactions:						
Cash paid for interest	$ 763	$ 67,750	$ 68,513	$ 8,776	$ 33,665	$ 42,441
Property and equipment financed through accounts payable	$ 332,942	$ -	$ 332,942	$ -	$ -	$ -

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

Consolidating Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

	2017						2016					
	Direct Service	Adminis-trative and Fundraising	Advocacy: Influence and Alumni	Total	Eliminations	Total	Direct Service	Adminis-trative and Fundraising	Advocacy: Influence and Alumni	Total	Eliminations	Total
Compensation and Related:												
Salaries	$ 46,215,345	$ 10,366,825	$ 1,459,255	$ 58,041,425	$ (124,415)	$ 57,917,010	$ 37,139,050	$ 9,042,017	$ 1,454,893	$ 47,635,960	$ (204,300)	$ 47,431,660
Fringe benefits and taxes	12,388,358	4,143,848	652,547	17,184,753	-	17,184,753	9,415,670	3,337,423	386,483	13,139,576	-	13,139,576
Total compensation and related	58,603,703	14,510,673	2,111,802	75,226,178	(124,415)	75,101,763	46,554,720	12,379,440	1,841,376	60,775,536	(204,300)	60,571,236
Non-Compensation Operating Expenses:												
Student related direct costs	21,424,916	-	-	21,424,916	-	21,424,916	18,592,746	-	-	18,592,746	-	18,592,746
Occupancy	6,030,298	1,403,882	-	7,434,180	-	7,434,180	5,815,088	1,362,042	915	7,178,045	-	7,178,045
Meals, travel and lodging	2,339,178	1,098,628	456,827	3,894,633	-	3,894,633	2,606,106	1,982,982	400,056	4,989,144	(102)	4,989,042
Telecommunication and computers	1,225,366	2,156,080	22,319	3,403,765	-	3,403,765	1,146,916	1,583,402	16,041	2,746,359	-	2,746,359
Consultants and professional services	993,643	1,183,006	609,445	2,786,094	(18,899)	2,767,195	1,076,958	1,225,646	401,584	2,704,188	(79,897)	2,624,291
Office expense	960,824	968,591	61,506	1,990,921	-	1,990,921	951,192	877,631	42,650	1,871,473	-	1,871,473
Special events	1,177,058	796,985	110,438	2,084,481	-	2,084,481	1,126,418	580,070	36,997	1,743,485	-	1,743,485
Advertising	1,922,766	206,128	723,282	2,852,176	-	2,852,176	666,992	200,563	703,106	1,570,661	-	1,570,661
Other program supplies	1,101,186	474,634	65,826	1,641,646	-	1,641,646	825,009	444,282	14,260	1,283,551	(400)	1,283,151
Total non-compensation operating expenses	37,175,235	8,287,934	2,049,643	47,512,812	(18,899)	47,493,913	32,807,425	8,256,618	1,615,609	42,679,652	(80,399)	42,599,253
Total operating expenses before YUPRO	95,778,938	22,798,607	4,161,445	122,738,990	(143,314)	122,595,676	79,362,145	20,636,058	3,456,985	103,455,188	(284,699)	103,170,489
YUPRO	1,031,904	-	-	1,031,904	(44,134)	987,770	949,646	-	-	949,646	(39,403)	910,243
Total operating expenses	$ 96,810,842	$ 22,798,607	$ 4,161,445	$ 123,770,894	$ (187,448)	$ 123,583,446	$ 80,311,791	$ 20,636,058	$ 3,456,985	$ 104,404,834	$ (324,102)	$ 104,080,732

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Year Up, Inc.'s (Year Up) mission is to close the opportunity divide by providing urban young adults with the skills, experience and support that will empower them to reach their potential through professional careers and higher education. Year Up achieves this mission through a high support, high expectations model that combines marketable job skills, stipends, internships, college credit, a behavior management system, and several levels of support to place these young adults on a viable path to economic self-sufficiency.

Year Up was incorporated on October 11, 2000, and has launched twenty-five fully operational programs across the following fifteen states: Georgia, Maryland, Washington, New York, Texas, Illinois, Florida, California, Massachusetts, Virginia, New York, Pennsylvania, Arizona, Rhode Island, and Delaware.

Year Up Professional Resource, PBC (YUPRO) is a wholly-owned subsidiary of Year Up, and a public benefit corporation organized under Subchapter XV of Chapter 1 of Title 8 of the General Corporate Law of the State of Delaware. YUPRO was incorporated on March 16, 2014, and its mission is to support the career development of low-income young adults who have successfully participated in post-secondary training programs through job placement, recruiting and further skills training. YUPRO operates out of the State of Colorado.

Nature of Advocacy Work

Year Up has engaged in a set of influence strategies targeting three key barriers that limit options in the talent marketplace for Opportunity Youth: shifting perceptions of urban young adults from social liabilities to economic assets, shifting employer practices to broaden talent sourcing and hiring, and shifting public policies to support enterprising career pathways. The goal of this work is provide Opportunity Youth a pathway to the education and training needed to become the source of skilled talent employers seek.

Year Up has is also investing in our national alumni relations team to build engagement opportunities for alumni, provide targeted and centralized support services, and act as the organizational liaison to the National Alumni Association.

Basis of Presentation

Year Up and YUPRO (collectively, the Entity) prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

Year Up owns all of the outstanding shares of YUPRO. Accordingly, the consolidating financial statements include the financial activity of both entities as of and for the years ended December 31, 2017 and 2016. All significant intercompany balances and transactions have been eliminated (see Note I).

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the calendar year ending December 31, 2019. The Entity is currently in the process of evaluating the impact of adoption of this ASU on the consolidating financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of functional expenses. This standard will be effective for the calendar year ending December 31, 2020. The Entity is currently in the process of evaluating the impact of adoption of this ASU on the consolidating financial statements.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities,* to improve financial reporting guidance for not-for-profit entities (NFPs). The new financial reporting guidance aims to address the issues in four main areas: (1) net asset classification, (2) liquidity and availability of resources, (3) expense and investment return, (4) presentation of operating cash flow and (5) diversity in reporting the expiration of restricted gifts of long-lived assets. This standard will be effective for the calendar year ending December 31, 2018. The Entity is currently in the process of evaluating the impact of adoption of this ASU on the consolidating financial statements.

Net Assets

The Entity classifies resources into net asset classes in accordance with donor-imposed restrictions. A description of these categories is as follows:

- **Unrestricted** - net assets are resources over which the Entity has unrestricted discretionary control.
- **Temporarily Restricted** - net assets whose use by the Entity is limited by donor-imposed stipulations or by law that either expire by passage of time or that can be fulfilled or removed by actions of the Entity pursuant to those stipulations.

Cash and Cash Equivalents

Cash and cash equivalents are held in money market, certificates of deposit and checking accounts. Cash and cash equivalents have maturities at date of purchase of three months or less.

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Property and Equipment, Services and Space

Year Up recognizes contribution revenue for certain services, space and property and equipment that would be purchased if not donated, at the fair value of those items. Property and equipment are recorded as temporarily restricted revenue when received and are released to unrestricted net assets over the useful life of the asset, to cover the related depreciation expense recognized.

Contributed equipment consists of the following at December 31:

	2017	2016
Software	$ 3,217,365	$ 5,581,440
Computer equipment	-	189,528
	3,217,365	5,770,968
Less - accumulated depreciation	1,630,765	3,119,274
Contributed property and equipment, net	$ 1,586,600	$ 2,651,694

For the years ended December 31, 2017 and 2016, Year Up expensed $1,065,094 and $560,788, respectively, of depreciation on contributed equipment. For the year ended December 31, 2016, Year Up received a restricted gift of software licenses valued at $3,173,200.

In-kind contributions include the following items for the years ended December 31:

	2017	2016
Legal services	$ 361,222	$ 424,076
Depreciation	1,065,094	560,788
Telecommunications	162,000	162,000
	$ 1,588,316	$ 1,146,864

Investments

Investments consist of mutual funds, corporate bonds, equities, public REITs, and hedge funds. Changes in fair values are included in other revenue in the accompanying consolidating statements of activities (see Note B).

Year Up holds its investments for long-term purposes. Investments are not insured and are subject to ongoing market fluctuation.

Consolidating Statements of Activities

Cash transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and operating expenses in the accompanying consolidating statements of activities. Non-cash expenses include depreciation, in kind and bad debt expense (see Note J).

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions

A contribution is an unconditional transfer of cash or other assets. Other assets include securities, land, buildings, use of facilities or utilities, materials and supplies, services, and unconditional promises to give those items in the future.

Contributions, including unconditional promises to give, are recognized as revenues, assets or decreases in liabilities depending on the form of the benefits received. Contributions are recorded at their fair value and are reported as restricted or unrestricted based upon the existence or absence of donor-imposed restrictions.

Unconditional pledges are included in the accompanying consolidating financial statements as pledges receivable and contribution revenue for the appropriate net asset category and are recorded after discounting to the present value of the expected future cash flows. Year Up does not record conditional pledges until conditions have been met.

The following table represents the sources of Year Up's contributions for the years ended December 31:

	2017		
	Unrestricted	Temporarily Restricted	Total
Individuals	$ 16,380,677	$ 13,343,707	$ 29,724,384
Foundations	29,034,915	14,012,120	43,047,035
Corporations	2,886,870	203,590	3,090,460
Government	857,426	-	857,426
	$ 49,159,888	$ 27,559,417	$ 76,719,305

	2016		
	Unrestricted	Temporarily Restricted	Total
Individuals	$ 12,899,260	$ 16,990,584	$ 29,889,844
Foundations	7,143,825	17,448,420	24,592,245
Corporations	2,571,964	1,340,321	3,912,285
Government	708,880	16,000	724,880
	$ 23,323,929	$ 35,795,325	$ 59,119,254

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Fees

As part of its program, Year Up places students in internships at various corporations during the second six months of the program. The internship phase provides students with the opportunity to practice and develop the skills learned during the learning and development phase. In addition to providing a hands-on learning opportunity to a Year Up intern, the corporations make a payment to Year Up for its participation in the internship program, recognizing the value of underwriting the training and education of this future talent pipeline. The revenue generated from the internship program pays for stipends, college credits, and support services for program participants, and other operating costs of the program. Program service fees are recognized over the period the internship occurs. Advance payments are recorded as deferred revenue. YUPRO's program service fees are recognized over the staffing contract or consulting period. Permanent placement fees are recognized at the time of the employee's start date. Advance payments are recorded as deferred revenue.

Year Up accrues earned income to align with the actual number of weeks each Year Up student was in attendance during the internship phase. Total accrued revenue for 2017 and 2016, was $1,890,849 and $2,152,729, respectively, and is included in internship receivable, net in the accompanying consolidating statements of financial position.

Government Grants and Contracts

Federal, State, and City government grant and contract revenue is recognized when the corresponding program expenditures are made, or when milestones are reached, in accordance with the terms of the related contracts.

Other Revenue

Other revenue consists of investment income and rental income from several subleases. All other revenue is recognized as earned.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is recorded based on management's analysis of specific accounts and the estimate of additional amounts that may become uncollectible. Accounts are written off against the allowance when they are determined to be uncollectible.

Internship receivables as of December 31, 2017 and 2016, are shown net of allowance of doubtful accounts of $525,189 and $578,842, respectively.

Property and Equipment

Equipment purchased by Year Up is recorded at cost. Donated equipment is recorded at fair value at the date of the gift. Depreciation is computed using the straight-line method over the assets' estimated useful life. The half-year convention was used for calculating depreciation in the year of acquisition for the fiscal years ending in 2016 and prior. In 2017, the full month convention was used for calculating depreciation, beginning with the first month in service and continuing throughout its useful life. The effect of this change was immaterial to the consolidating financial statements.

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Estimated useful lives are as follows:

Building and leasehold improvements	Life of lease
Furniture and fixtures	5 years
Computer equipment	3 years
Software development	3 years

Advertising Expense

Advertising costs are expensed at the time they are incurred. Advertising expense for the years ended December 31, 2017 and 2016, was $1,664,808 and $1,570,661, respectively.

Income Taxes

The Entity accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. The Entity has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2017 and 2016. The Entity's information returns are subject to examination by the Federal and state jurisdictions.

Income taxes are provided for the tax effects of transactions reported in the consolidating financial statements and consist of taxes currently due and deferred taxes related primarily to differences between the consolidating financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Future tax benefits are recognized only to the extent that such benefits are more-likely-than-not to be realized. A valuation allowance is recorded when it is more-likely-than-not that a net deferred tax asset will not be realized.

As of December 31, 2017 and 2016, YUPRO has net operating loss carryforwards of approximately $666,000 and $780,000, respectively, for Federal tax purposes and Colorado tax purposes. The tax benefit of the net operating loss carryforwards has been fully reserved. Net operating loss carryforwards are available to offset future taxable income through December 31, 2035.

Expense Allocation

Expenses directly related to a program location are distributed to that specific site. Other indirect expenses are allocated based upon a percentage determined by management.

Use of Estimates

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

NOTE A - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Entity follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Entity would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Entity uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Entity. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting the Entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to fair value measurement.

Investments

Investments are recorded in the consolidating financial statements at fair value. If an investment is directly held by Year Up and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of share in mutual funds are based on share prices reported by the funds at the last business day of the fiscal year (see Note B).

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

NOTE B - INVESTMENTS

The following table presents Year Up's investments classified by major categories and presented by level within the valuation framework (see Note A) as of December 31:

2017	Level 1	Level 2	Level 3	Total
Equity funds:				
U.S. Large Cap	$ 1,243,513	$ -	$ -	$ 1,243,513
Other	2,528,351	-	-	2,528,351
Fixed income:				
Investment Grade Taxable Bond	-	4,814,117	-	4,814,117
Other	908,758	-	-	908,758
Other	849,025	-	-	849,025
Total assets	$ 5,529,647	$ 4,814,117	$ -	$ 10,343,764

2016	Level 1	Level 2	Level 3	Total
Equity funds:				
U.S. Large Cap	$ 1,171,928	$ -	$ -	$ 1,171,928
Other	1,428,295	-	-	1,428,295
Fixed income:				
Investment Grade Taxable Bond	-	5,163,710	-	5,163,710
Other	805,076	-	-	805,076
Other	672,579	-	-	672,579
Total assets	$ 4,077,878	$ 5,163,710	$ -	$ 9,241,588

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets at fair value on a recurring basis:

Fixed Income Securities are valued at Level 2 using the current available closing price reported or based on values obtained on comparable securities of issuers with similar credit ratings.

Year Up believes that the reported amount of its investments is a reasonable estimate of fair value as of December 31, 2017 and 2016. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

Investment activity is included in other revenue in the accompanying consolidating statements of activities and consisted of the following at December 31:

	2017	2016
Investment interest and dividends	$ 189,077	$ 199,528
Net realized gain (loss) on sale of investments	150,249	(350,486)
Net unrealized gain on investments	541,731	282,542
Investment management fees	(30,819)	(33,944)
	$ 850,238	$ 97,640

NOTE C - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at December 31, 2017 and 2016, are expected to be realized in the following periods:

	2017	2016
In less than one year	$ 15,575,854	$ 15,911,677
Between one and five years	21,034,576	21,662,059
Total grants and pledges receivable	36,610,430	37,573,736
Less - present value discount	679,258	758,074
Less - allowance for doubtful accounts	130,227	100,000
Grants and pledges receivable, net	$ 35,800,945	$ 36,715,662

The present value discount was calculated using a discount factor, which ranged from 1.89% to 2.2%.

Conditional Pledges

Year Up has a policy to not record conditional pledges until conditions have been met. Year Up has $66,683,863 and $25,450,650, of conditional pledges as of December 31, 2017 and 2016, respectively, which will be recorded in the consolidating financial statements once the conditions have been met (see Note K).

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2017	2016
Leasehold improvements	$ 19,402,918	$ 19,721,588
Computer equipment (see page 9)	7,586,303	13,602,299
Furniture and fixtures	1,879,840	2,116,679
Software development (see page 9)	3,884,656	2,093,737
	32,753,717	37,534,303
Less - accumulated depreciation	9,787,484	14,533,055
Property and equipment, net	$ 22,966,233	$ 23,001,248

For the years ended December 31, 2017 and 2016, Year Up expensed $4,422,763 and $3,265,662, respectively, of depreciation.

During 2014, Year Up began a project to customize the Salesforce software to their specific needs. The project is estimated to be completed in 2018 with a total approximate cost of $3,500,000. The asset will be depreciated once it is placed in service.

NOTE E - OPERATING LEASES

The following is a schedule of combined future rental payments under operating leases:

Year Ending December 31	
2018	$ 6,982,128
2019	$ 7,148,404
2020	$ 7,412,532
2021	$ 7,552,816
2022	$ 7,334,840
Thereafter	$ 28,344,254

Rent expense for the years ended December 31, 2017 and 2016, was $6,152,195 and $6,167,623, respectively, and is included in occupancy in the accompanying consolidating statements of functional expenses. Rent expense is recorded on a straight-line basis for Year Up's operating leases.

The lease agreements also include tenant improvement allowances of approximately $8,780,000 in the form of a reimbursement for construction and related costs incurred by Year Up in fitting out the leased spaces. This landlord incentive is reported as a liability and is amortized over the lease term as a reduction in the rent expense. As a result of certain rent holidays, escalation clauses and tenant improvement allowances included in the leases noted above, deferred rent liabilities totaling $12,853,022 and $13,546,912, as of December 31, 2017 and 2016, respectively, are included in deferred rent in the accompanying consolidating statements of financial position.

As part of certain lease agreements, Year Up is required to deliver security to the landlords in the form of an irrevocable letter of credit from a bank. Year Up maintains three letters of credit for a total of $3,653,015 with various banking institutions. Year Up named the landlords as the beneficiaries through the maturity of the leases.

NOTE F - NOTES PAYABLE

YUPRO has entered into the following agreements at December 31:

	2017	2016
Unsecured note payable agreement with an individual lender. The note bears interest at a rate of 5% and interest-only payments are due semi-annually. Principal is due on the maturity date of May 16, 2021.	$ 700,000	$ 700,000
Unsecured note payable agreement with a company. The note bears interest at a rate of 5% and interest-only payments are due semi-annually. Principal is due on the maturity date of May 16, 2021.	300,000	300,000
	$ 1,000,000	$ 1,000,000

NOTE F - NOTES PAYABLE (Continued)

The debt instruments described above require YUPRO to comply with certain covenants with which YUPRO was in compliance with at December 31, 2017 and 2016. In addition, as stated in the note agreements, the two lenders are subject to a profit participation amount based on a certain calculation as defined in the agreement, starting in 2017. No amounts were earned in 2017.

NOTE G - LINE OF CREDIT

Year Up has a revolving line of credit agreement with a bank in the amount $5,000,000. The line of credit is collateralized by the business assets of Year Up. The line of credit is payable on demand. Until demand is made, Year Up is required to make monthly payments equal to the sum of accrued interest at the close of the billing cycle. Year Up will pay in full, any principal, interest or other charges outstanding on this facility no later than the facility expiration date. Interest is equal to the London Interbank Offered Rate (LIBOR) Daily Floating rate (1.6% and .8% at December 31, 2017 and 2016, respectively), plus 1.4 percentage points. The agreement stipulates that Year Up not incur any additional debt other than in the ordinary course of business during the term of the line of credit. Year Up did not draw on the line of credit during 2017 and 2016. The line of credit agreement contains various covenants. Year Up was in compliance with these covenants at December 31, 2017 and 2016. Subsequent to year end the line of credit agreement was increased to $10,000,000.

NOTE H - RETIREMENT PLAN

Year Up has a defined contribution pension plan covering eligible employees. Participants can make an elective deferral for any plan year of their eligible compensation, not to exceed the annual dollar limit as permitted by law. Year Up elects to make a matching contribution. During 2017 and 2016, Year Up made matching contributions of 100% of the first 5% of a participant's compensation contributed to the plan. For the years ended December 31, 2017 and 2016, Year Up contributed $1,549,120 and $1,218,927, respectively. These amounts are included in fringe benefits and taxes in the accompanying consolidating statements of functional expenses.

NOTE I - RELATED PARTY TRANSACTIONS

At December 31, 2017 and 2016, the balance outstanding of pledges receivable from National Board members of Year Up was $7,710,544 and $10,593,910, respectively.

A member of the Board is a partner at a law firm which provided pro bono services to Year Up in the amount of $330,407 and $284,891 for the years ended December 31, 2017 and 2016, respectively. This member abstains from discussions on matters surrounding his firm, as required by Year Up's conflict of interest policy.

Year Up incurred costs related to the formation of YUPRO and transferred certain intellectual property to YUPRO. The value of the aforementioned intellectual property and start-up costs totaled $480,000. This amount has been eliminated in the accompanying consolidating financial statements.

Year Up contracts with YUPRO for temporary help. During the years ended December 31, 2017 and 2016, Year Up paid YUPRO $143,314 and $284,699, respectively, in contractor fees which are included in program service fees in the accompanying consolidating statements of activities. During 2016, YUPRO rented office space from Year Up as a tenant-at-will. Rent expense totaled $6,000 for the year and is included in YUPRO in the accompanying consolidating statements of functional expenses. These amounts have been eliminated in the consolidating financial statements.

NOTE I - RELATED PARTY TRANSACTIONS (Continued)

During 2016, Year Up entered into an agreement with YUPRO, whereby YUPRO will pay Year Up a fee for each Year Up internship program graduate referred to by Year Up to YUPRO. The fee is dependent on the graduate successfully transitioning to a contractor position at the internship company for at least three months and where the placement of the graduate at the internship company is managed by YUPRO. The agreement was effective January 1, 2016. The fee is only required when YUPRO generates operating profit after interest and taxes and is determined based on a calculation established in the agreement. For the years ended December 31, 2017 and 2016, Year Up earned a fee of $44,134 and $33,403, respectively, which is included in other revenue in the accompanying consolidating financial statements. This amount has been eliminated in the consolidating financial statements.

NOTE J - NON-CASH EXPENSES

Non-cash expenses were comprised of the following for the years ended December 31:

	2017	2016
Depreciation	$ 4,422,763	$ 3,265,662
In-kind (see page 8)	523,222	586,076
Bad debt	286,421	787,147
	$ 5,232,406	$ 4,638,885

NOTE K - NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2017	2016
Time restricted	$ 36,571,124	$ 39,142,646
Purpose restricted	2,709,608	7,954,352
	$ 39,280,732	$ 47,096,998

Opportunity Campaigns

OCII

Included in temporarily restricted net assets at December 31, 2016 is $1,711,952 raised as Opportunity Campaign II (OCII) investments. These funds were raised from philanthropic investors providing equity-like capital necessary to meet the Phase III Growth plan for the years 2012 through 2016 and are shown as purpose restricted net assets. The use of OCII Funds is, until January 1, 2017, restricted toward achieving a positive change in unrestricted net assets for the fiscal year of a magnitude up to (but not more than) 10% of the fiscal year's operating expenses. No amounts were restricted as of December 31, 2017.

Based on the stipulations of the subscription agreement detailed above, management released from restriction $1,714,121 and $20,154,806, of allowable OCII amounts at December 31, 2017 and 2016, respectively. As of December 31, 2017, none of the remaining balance is included in grants and pledges receivable in the accompanying consolidating 2016 statement of financial position.

NOTE K - NET ASSETS (Continued)

Opportunity Campaigns (Continued)

OCIII

In 2016, Year Up officially launched a new capital campaign, Opportunity Campaign III (OC III). It is a $225,000,000 campaign to support growth, innovation and impact through 2021. This campaign will fund expansion of direct service work and a continued investment in generating impact. As of December 31, 2017, Year Up has raised approximately $185,400,000. A total of $101,800,000 was raised from January 1, 2017 to December 31, 2017. Approximately $64,200,000 of total campaign funds are conditional, and therefore are not reflected in the accompanying consolidating statements of activities.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 8, 2018, which is the date the consolidating financial statements were available for issuance. Except as disclosed in Note G, there were no events that met the criteria for recognition or disclosure in the financial statements.

NOTE M - CONCENTRATIONS

FDIC Coverage

Year Up maintains its cash balances in various banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain limits. At certain times during the year, cash balances exceeded the insured amounts. The Entity has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Funding

The following tables reflect the largest donors and Corporate Partners representing over 10% of total operating revenues and accounts receivable:

	2017		2016	
Donor	Total Revenue	Total Accounts Receivable	Total Revenue	Total Accounts Receivable
A	- %	16%	- %	24%
C	- %	11%	- %	11%
E	23%	- %	- %	- %
B	- %	- %	- %	11%
D	- %	- %	- %	11%

	2017		2016	
Corporate Partner	Total Revenue	Total Accounts Receivable	Total Revenue	Total Accounts Receivable
F	- %	12%	- %	12%

NOTE N - EXPENSE ALLOCATION

Year Up's costs of providing various program and other activities are summarized on a functional basis, including non-cash expenses, as follows for the years ended December 31:

	2017	2016
Program expenses	$ 92,048,445	$ 77,012,501
Management, administrative and general costs	26,741,841	23,132,006
Development	9,181,110	7,949,566
	$ 127,971,396	$ 108,094,073

NOTE M - RECLASSIFICATIONS

Certain reclassifications have been made to the prior year consolidating financial statements to conform to current year presentations.