

**Audited Financial Statements**



**May 31, 2023**

**Quigley & Miron**

**Youth Science Institute**  
**Audited Financial Statements**  
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**May 31, 2023**

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## Independent Auditor's Report

Board of Directors  
**Youth Science Institute**  
Los Gatos, California

### Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YSI as of May 31, 2023, 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.

### Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of YSI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about YSI's ability to continue as a going concern for one year after the date that the financial statements are issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 YSI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about YSI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited Youth Science Institute's May 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, reading "Zwigley & Miron". The signature is written in a cursive, flowing style.

Campbell, California  
March 8, 2024

**Youth Science Institute**  
**Statement of Financial Position**  
**May 31, 2023**  
**(with summarized comparative totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 373,493	\$ 389,608
Restricted cash held for endowment	13,984	13,766
Investments—Note 3	17,445	19,982
Accounts receivable	6,112	12,725
Government grants receivable—Note 4	16,668	16,667
Prepaid expenses	18,247	12,769
In-kind building and land leases—Note 5	312,408	6,589
Property and equipment, net—Note 6	643,201	685,054
Collections—Note 1		
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b><u>\$ 1,401,558</u></b>	<b><u>\$ 1,157,160</u></b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,851	\$ 2,092
Salaries and employee benefits payable	34,935	32,846
Deferred revenue	266,279	175,956
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<b>305,065</b>	<b>210,894</b>
 <b>Net Assets</b>		
Without donor restrictions	672,816	757,689
With donor restrictions—Note 9	423,677	188,577
	<u>                    </u>	<u>                    </u>
<b>Total Net Assets</b>	<b><u>1,096,493</u></b>	<b><u>946,266</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,401,558</u></b>	<b><u>\$ 1,157,160</u></b>

See notes to financial statements.

**Youth Science Institute**  
**Statement of Activities**  
**May 31, 2023**  
 (with summarized comparative totals for 2022)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2023 Total</b>	<b>2022 Total</b>
<b>Operating Activities</b>				
<b>Public Support and Revenue</b>				
Program fees	\$ 365,406	\$	\$ 365,406	\$ 227,106
Grants and contributions	201,068	45,893	246,961	356,088
In-kind building and land leases—Note 5	105,778	312,408	418,186	58,830
Government grants	100,000		100,000	100,000
PPP grant—Note 7				61,051
Interest and dividends—Note 3		1,965	1,965	779
Net assets released from restrictions	121,489	(121,489)		
<b>Total Public Support, Revenue, and Releases from Restrictions</b>	<b>893,741</b>	<b>238,777</b>	<b>1,132,518</b>	<b>803,854</b>
<b>Expenses</b>				
Program services	752,876		752,876	591,066
Management and general	166,547		166,547	147,093
Fundraising	59,191		59,191	50,021
<b>Total Expenses</b>	<b>978,614</b>		<b>978,614</b>	<b>788,180</b>
<b>Change in Net Assets From Operations</b>	<b>(84,873)</b>	<b>238,777</b>	<b>153,904</b>	<b>15,674</b>
<b>Nonoperating Activities</b>				
Investment return, net—Note 3		(3,677)	(3,677)	(1,878)
<b>Total Nonoperating Activities</b>		<b>(3,677)</b>	<b>(3,677)</b>	<b>(1,878)</b>
<b>Change in Net Assets</b>	<b>(84,873)</b>	<b>235,100</b>	<b>150,227</b>	<b>13,796</b>
<b>Net Assets at Beginning of Year</b>	<b>757,689</b>	<b>188,577</b>	<b>946,266</b>	<b>932,470</b>
<b>Net Assets at End of Year</b>	<b>\$ 672,816</b>	<b>\$ 423,677</b>	<b>\$ 1,096,493</b>	<b>\$ 946,266</b>

See notes to financial statements.

**Youth Science Institute**  
**Statement of Functional Expenses**  
**May 31, 2023**  
**(with summarized comparative totals for 2022)**

	<b>Youth Science Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2023 Total</b>	<b>2022 Total</b>
Salaries and wages	\$ 348,375	\$ 66,337	\$ 38,178	\$ 452,890	\$ 334,981
Payroll taxes	33,309	7,684	3,493	44,486	28,499
Employee benefits	22,770	5,103	2,246	30,119	24,072
<b>Total Personnel Expenses</b>	<b>404,454</b>	<b>79,124</b>	<b>43,917</b>	<b>527,495</b>	<b>387,552</b>
Rent	89,519	13,165	2,633	105,317	128,751
Outside services	44,783	8,761	4,863	58,407	17,360
Professional services	21,041	36,484		57,525	56,419
Depreciation	46,631		1,081	47,712	47,847
Advertising	12,810	12,809		25,619	27,927
Bank fees and merchant fees	17,357	1,605	902	19,864	17,110
Insurance	13,952	5,571	174	19,697	17,421
Computer, internet, and telephone	14,883	3,340		18,223	19,451
Utilities	15,474	2,276	455	18,205	17,004
Site maintenance	17,786			17,786	11,350
Miscellaneous	12,185	2,487	253	14,925	8,505
Supplies	13,571		1,266	14,837	6,889
Animal care	10,063			10,063	6,337
Travel	7,240	166	86	7,492	4,374
Dues and subscriptions	3,074	563	1,829	5,466	3,607
Printing	4,134		749	4,883	829
Repairs, maintenance, and small equipment	3,919		529	4,448	9,209
Postage and shipping		196	454	650	238
<b>Total Expenses</b>	<b>\$ 752,876</b>	<b>\$ 166,547</b>	<b>\$ 59,191</b>	<b>\$ 978,614</b>	<b>\$ 788,180</b>

See notes to financial statements.

**Youth Science Institute**  
**Statement of Cash Flows**  
**May 31, 2023**  
**(with summarized comparative totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 150,227	\$ 13,796
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	47,712	47,847
In-kind building and land leases contribution	(350,625)	
Investment losses	3,527	1,728
Donated securities		(2,770)
Changes in operating assets and liabilities:		
Accounts receivable	6,613	(7,800)
Government grants receivable	(1)	(1)
Prepaid expenses	(5,478)	(1,784)
In-kind building and land leases amortization	44,806	76,971
Accounts payable and accrued expenses	1,759	663
Salaries and employee benefits payable	2,089	7,896
Deferred revenue	90,323	45,206
PPP advance		(61,051)
<b>Cash Provided by (Used in) Operating Activities</b>	<u><b>(9,048)</b></u>	<u><b>120,701</b></u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(5,859)	
Proceeds from sale of investments	(990)	
<b>Cash Used in Investing Activities</b>	<u><b>(6,849)</b></u>	
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	<u><b>(15,897)</b></u>	<u><b>120,701</b></u>
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<u><b>403,374</b></u>	<u><b>282,673</b></u>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<u><u><b>\$ 387,477</b></u></u>	<u><u><b>\$ 403,374</b></u></u>
<b>Supplementary Disclosures</b>		
Income taxes paid	<u><u>\$</u></u>	<u><u>\$</u></u>
Interest paid	<u><u>\$</u></u>	<u><u>\$</u></u>

See notes to financial statements.



**Youth Science Institute**  
**Notes to Financial Statements**  
**May 31, 2023**  
**(with summarized comparative totals for 2022)**

**Note 1—Organization and Significant Accounting Policies**

Organization—Youth Science Institute (YSI) established in 1953, is a California not-for-profit corporation. YSI's mission 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, 2023, YSI delivered 566 hands-on School and Group Programs to 14,997 K-6 public school student's children. 22% 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, 138 were provided for free to low-income, Title I-eligible schools. YSI also served 650 individuals through its Science Safari programs and 709 students through its summer camp program.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Significant Accounting Policies—Continued**

Due to the heavy rains and flooding that occurred in January 2023, the City of San Jose closed the Alum Rock Park location to vehicle traffic. Anticipated re-opening of vehicle traffic in Alum Rock Park is March 2024. YSI has not been able to schedule school and group programs at the Alum Rock site since January 2023.

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. It is the policy of YSI to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period recognized.

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, 2023. 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.

**Note 1—Organization and Significant Accounting Policies—Continued**

Recently Adopted Accounting Principles

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and requires lessees to recognize the assets and related liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjustment to the opening balance of net assets without donor restrictions in the period of adoption. Since YSI has no leases with terms exceeding one year as of the year ended May 31, 2023 YSI has adopted ASU No. 2016-02 and its related amendments on a prospective basis, with no resulting impact on the financial statement presentation.

Gifts-in-Kind—In September 2020, the 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. Additional disclosures are required 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. YSI has adopted ASU No. 2020-07 for the year ended May 31, 2022 on a retrospective basis and noted there was 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 cash held for endowment (see Note 9).

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Cash Accounts Reported in Statement of Financial Position</b>		
Cash and cash equivalents	\$ 373,493	\$ 389,608
Restricted cash held for endowment	13,984	13,766
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>		
<b>Reported in Statement of Cash Flows</b>	<b><u>\$ 387,477</u></b>	<b><u>\$ 403,374</u></b>

Investments—Investments in securities are initially recorded at cost on the trade date, if purchased, or at fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category. Interest and dividends earned on investments is recognized when received and reported as interest and dividend income under revenue and support in the statement of activities. Gains and losses on investments are recognized as changes in their fair market values occur in the period reported and are reported on the statement of activities under the investment return, net caption.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Significant Accounting Policies—Continued**

Accounts Receivable—Accounts receivable consists primarily of program fees, and are stated at the amount that management expects to collect from outstanding balances. Management believes that accounts receivable as of May 31, 2023 and 2022 are fully collectible, and the YSI has therefore not recorded an allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible.

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.

Concentration of Credit Risk—Financial instruments which potentially subject YSI to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. YSI places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, in the normal course of business, such cash balances are in excess of FDIC insurance limits. YSI's management has assessed the credit risk associated with its cash deposits held at May 31, 2023 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments, however, due to the current risk and uncertainties affecting financial institutions (see Note 10), the related impact cannot be reasonably estimated at this time.

Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. No account balances exceed the SIPC insurance limits at May 31, 2023 and 2022. 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.

Accounts receivable at May 31, 2023 are due from nonprofit organizations well-known to YSI, with favorable past payment histories. Management of YSI has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

Government receivables consist of balances municipalities well-known to YSI. YSI had determined that no allowance for potential losses due to uncollectible receivables was necessary at May 31, 2023 and 2022.

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.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Significant Accounting Policies—Continued**

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.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. 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.

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 charged directly to the program function or supporting service benefitted.

Advertising—YSI's policy is to expense advertising costs as they are incurred. Advertising expenses for the years ended May 31, 2023 and 2022 were \$25,619 and \$27,927, 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.

Comparative Totals for 2022—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, 2022, from which the information was derived.

Reclassifications—Certain amounts in 2022 have been reclassified to conform with the 2023 financial statement presentation.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 2—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, 2023 and 2022 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, net of donor restrictions	\$ 347,322	\$ 309,431
Accounts receivable	6,112	12,725
Government grants receivable	16,668	16,667
<b>Current Availability of Financial Assets</b>	<b><u>\$ 370,102</u></b>	<b><u>\$ 338,823</u></b>

**Note 3—Investments and Fair Value**

Investments consist of the following as of May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equity securities	\$ 9,916	\$ 12,016
Mutual funds	7,529	7,966
<b>Totals</b>	<b><u>\$ 17,445</u></b>	<b><u>\$ 19,982</u></b>

Investment activity for the years ended May 31, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Unrealized investment losses	\$ (3,527)	\$ (1,728)
Investment management fees	(150)	(150)
<b>Investment Return, Net</b>	<b>(3,677)</b>	<b>(1,878)</b>
Interest and dividends	1,965	779
<b>Total Return on Investment</b>	<b><u>\$ (1,712)</u></b>	<b><u>\$ (1,099)</u></b>

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.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 3—Investments and Fair Value—Continued**

YSI may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by YSI to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. YSI had no assets or liabilities classified at NAV as a practical expedient during the years ended May 31, 2023 and 2022.

Assets and liabilities measured on a recurring basis at May 31, 2023 and 2022 consist of the following:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>2023:</b>				
Equity securities	\$ 9,916	\$ 9,916	\$	\$
Mutual funds	7,529	7,529		
<b>Totals</b>	<u><u>\$ 17,445</u></u>	<u><u>\$ 17,445</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>
<b>2022:</b>				
Equity securities	\$ 12,016	\$ 12,016	\$	\$
Mutual funds	7,966	7,966		
<b>Totals</b>	<u><u>\$ 19,982</u></u>	<u><u>\$ 19,982</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

**Note 4—Government Grants Receivable**

Government grants receivable at May 31, 2023 and 2022 consist of receivables from the County of Santa Clara due within a year, totaling \$16,668 and \$16,667, respectively.

**Note 5—In-Kind Building and Land Leases**

In August 2017, YSI entered into a 65-month lease agreement, through August 2022, with the County of Santa Clara (County) for the use of its 4,619 square foot building properties at Vasona Lake County Park and Sanborn County Park valued at \$1.43 per square foot monthly. 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.

In October 2022, YSI renewed the agreement with the County for an additional 60-months, through September 2027, for the properties valued at \$1.43 per square foot monthly. YSI recorded the present value of the buildings and land rent of \$350,625 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 May 31, 2023.

The present value of these lease as of May 31, 2023 and 2022, was \$312,408 and \$6,589, respectively, based upon rental expense of \$74,025 and a discount rate of 5%. YSI also receives in kind occupancy for its Science and Nature Center facility at Alum Rock Park which is renewed annually.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 5—In-Kind Building and Land Leases—Continued**

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

<u>Year Ending May 31,</u>	
2024	\$ 59,762
2025	62,820
2026	66,034
2027	69,412
2028	54,380
<b>Total</b>	<b><u>\$ 312,408</u></b>

**Note 6—Property and Equipment, Net**

Property and equipment, net at May 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 1,602,309	\$ 1,602,309
Furniture and fixtures	236,137	236,137
Equipment and machinery	73,243	67,384
	<u>1,911,689</u>	<u>1,905,830</u>
Less accumulated depreciation	<u>(1,268,488)</u>	<u>(1,220,776)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 643,201</u></b>	<b><u>\$ 685,054</u></b>

Total depreciation expense recorded for the years ended May 31, 2023 and 2022 was \$47,712 and \$47,847, respectively.

**Note 7—PPP Grant**

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 to keep their workers on payroll. YSI elected to record the PPP grant revenue upon receipt of the forgiveness letter from the SBA, which was received during the year ended May 31, 2022.



**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 8—Net Assets with Donor Restrictions**

Net assets with donor restrictions for the year ended May 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
School programs	\$ 10,894	\$ 2,825
Specified time period	20,833	70,834
Alum Rock	15,277	15,277
Outreach programs		27,075
Diversity, equity, inclusion		35,000
<b>Total Subject to Purpose Restrictions</b>	<b>47,004</b>	<b>151,011</b>
Subject to time restrictions:		
In kind building and land leases	312,408	6,589
General support	35,000	
<b>Total Subject to Time Restrictions</b>	<b>347,408</b>	<b>6,589</b>
Subject to YSI's endowment spending policy and appropriation:		
Subject to YSI's spending policy and appropriation	16,225	17,937
<b>Total Subject to Appropriation</b>	<b>16,225</b>	<b>17,937</b>
Held in perpetuity:		
Endowment	13,040	13,040
<b>Total Held in Perpetuity</b>	<b>13,040</b>	<b>13,040</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 423,677</b>	<b>\$ 188,577</b>

Net assets released from donor restrictions for the years ended May 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Specified time period	\$ 50,000	\$
Diversity, equity, inclusion	35,000	
Outreach programs	27,075	
School programs	2,825	54,764
Summer programs		12,500
Administrative costs		2,250
<b>Total Satisfaction of Purpose Restrictions</b>	<b>114,900</b>	<b>69,514</b>
Satisfaction of passage of time:		
In kind building and land leases	6,589	76,971
General support		20,833
<b>Total Satisfaction of Time Restrictions</b>	<b>6,589</b>	<b>97,804</b>
<b>Total Net Assets Released from Donor Restrictions</b>	<b>\$ 121,489</b>	<b>\$ 167,318</b>

## Note 9—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, 2023.

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 9—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, 2023 and 2022 are as follows:

	<b>Subject to Appropriation</b>	<b>Held in Perpetuity</b>	<b>Total</b>
<b>Endowment Net Assets at May 31, 2021</b>	<b>\$ 19,392</b>	<b>\$ 13,040</b>	<b>\$ 32,432</b>
Interest and dividends	423		423
Unrealized losses	(1,728)		(1,728)
Investment management fees	(150)		(150)
<b>Total Investment Return on Endowment Funds</b>	<b>(1,455)</b>		<b>(1,455)</b>
<b>Endowment Net Assets at May 31, 2022</b>	<b>17,937</b>	<b>13,040</b>	<b>30,977</b>
Interest and dividends	1,965		1,965
Unrealized losses	(3,527)		(3,527)
Investment management fees	(150)		(150)
<b>Total Investment Return on Endowment Funds</b>	<b>(1,712)</b>		<b>(1,712)</b>
<b>Endowment Net Assets at May 31, 2023</b>	<b>\$ 16,225</b>	<b>\$ 13,040</b>	<b>\$ 29,265</b>

**Note 10—Risks and Uncertainties**

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption of the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system. However, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As noted in Note 1, at times, YSI maintains cash and cash equivalents in excess of federally insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

**Youth Science Institute**  
**Notes to Financial Statements—Continued**

**Note 11—Subsequent Events**

Subsequent to year-end, YSI was eligible and applied for employee retention credits (ERC) in the amount of \$125,687.

Management evaluated all activities of Youth Science Institute through March 8, 2024, which is the date the financial statements were available to be issued, and concluded that other than the anticipated re-opening of vehicle traffic in Alum Rock park in March 2024 described in Note 1 and the ERC funding described above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.