

GENERATION: YOU EMPLOYED, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

GENERATION: YOU EMPLOYED, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Generation: You Employed, Inc.

We have audited the accompanying financial statements of Generation: You Employed, Inc. (You Employed), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Generation: You Employed, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
September 28, 2017

GENERATION: YOU EMPLOYED, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,691,779	\$ 1,803,473
Grants and contributions receivable	4,749,115	6,785,188
Prepaid expenses	<u>16,595</u>	<u>-</u>
Total current assets	7,457,489	8,588,661
NONCURRENT ASSETS		
Grants and contributions receivable, net of current portion	3,970,223	7,910,891
Software license, net	<u>-</u>	<u>614,225</u>
Total assets	<u>\$ 11,427,712</u>	<u>\$ 17,113,777</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 244,789</u>	<u>\$ 1,088,202</u>
Total liabilities	<u>244,789</u>	<u>1,088,202</u>
NET ASSETS		
Unrestricted	11,475	1,508,727
Temporarily restricted	<u>11,171,448</u>	<u>14,516,848</u>
Total net assets	<u>11,182,923</u>	<u>16,025,575</u>
Total liabilities and net assets	<u>\$ 11,427,712</u>	<u>\$ 17,113,777</u>

See accompanying notes to financial statements.

GENERATION: YOU EMPLOYED, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Grants and contributions	\$ 23,807	\$ 2,513,360	\$ 2,537,167	\$ 5,000	\$ 3,388,667	\$ 3,393,667
Government grants	-	3,220,639	3,220,639	-	1,728,086	1,728,086
In-kind contributions	14,419,981	-	14,419,981	10,884,034	-	10,884,034
Other income (loss)	(20,666)	-	(20,666)	(9,364)	-	(9,364)
Net assets released from restriction	9,079,399	(9,079,399)	-	6,422,129	(6,422,129)	-
Total revenue	23,502,521	(3,345,400)	20,157,121	17,301,799	(1,305,376)	15,996,423
EXPENSES						
Generation program						
United States	5,520,066	-	5,520,066	1,972,380	-	1,972,380
Mexico	803,885	-	803,885	274,243	-	274,243
Spain	4,453,819	-	4,453,819	2,643,107	-	2,643,107
India	4,333,950	-	4,333,950	1,154,729	-	1,154,729
Kenya	4,482,827	-	4,482,827	6,527,180	-	6,527,180
Global	3,546,366	-	3,546,366	3,215,424	-	3,215,424
Operations	83,656	-	83,656	203,689	-	203,689
Total program services	23,224,569	-	23,224,569	15,990,752	-	15,990,752
Management and general	1,775,204	-	1,775,204	1,375,133	-	1,375,133
Total expenses	24,999,773	-	24,999,773	17,365,885	-	17,365,885
CHANGE IN NET ASSETS	(1,497,252)	(3,345,400)	(4,842,652)	(64,086)	(1,305,376)	(1,369,462)
NET ASSETS						
Beginning of year	1,508,727	14,516,848	16,025,575	1,572,813	15,822,224	17,395,037
End of year	<u>\$ 11,475</u>	<u>\$ 11,171,448</u>	<u>\$ 11,182,923</u>	<u>\$ 1,508,727</u>	<u>\$ 14,516,848</u>	<u>\$ 16,025,575</u>

See accompanying notes to financial statements.

GENERATION: YOU EMPLOYED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Generation Program							Management and General	Total	
	U.S	Mexico	Spain	India	Kenya	Global	Operations			Total
Direct subcontractor costs	\$ 1,609,185	\$ 803,885	\$ 398,299	\$ 738,832	\$ 1,357,423	\$ 2,313,993	\$ -	\$ 7,221,617	\$ 5,872	\$ 7,227,489
Salaries and fringe	3,858,826	-	4,055,520	3,594,927	3,124,452	1,190,466	-	15,824,191	815,477	16,639,668
Travel	48,978	-	-	191	952	18,418	23	68,562	161,142	229,704
Consultants	-	-	-	-	-	16,431	-	16,431	256,879	273,310
Accounting and legal	-	-	-	-	-	-	(19,943)	(19,943)	412,938	392,995
Recruitment	-	-	-	-	-	-	-	-	9,931	9,931
Occupancy	-	-	-	-	-	-	103,280	103,280	51,640	154,920
Miscellaneous	3,077	-	-	-	-	7,058	296	10,431	61,325	71,756
Total expenses	<u>\$ 5,520,066</u>	<u>\$ 803,885</u>	<u>\$ 4,453,819</u>	<u>\$ 4,333,950</u>	<u>\$ 4,482,827</u>	<u>\$ 3,546,366</u>	<u>\$ 83,656</u>	<u>\$ 23,224,569</u>	<u>\$ 1,775,204</u>	<u>\$ 24,999,773</u>

See accompanying notes to financial statements.

GENERATION: YOU EMPLOYED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Generation Program							Management and General	Total	
	U.S	Mexico	Spain	India	Kenya	Global	Operations			Total
Direct subcontractor costs	\$ 398,595	\$ 264,363	\$ 371,744	\$ 228,227	\$ 487,077	\$ 2,643,896	\$ -	\$ 4,393,902	\$ 6,527	\$ 4,400,429
Salaries and fringe	1,552,782	9,880	2,269,793	926,502	6,035,353	491,519	18,838	11,304,667	460,243	11,764,910
Travel	3,051	-	-	-	4,750	70,973	-	78,774	128,617	207,391
Consultants	17,357	-	-	-	-	9,036	(17,174)	9,219	82,254	91,473
Accounting and legal	595	-	-	-	-	-	50,651	51,246	459,437	510,683
Recruitment	-	-	-	-	-	-	7,581	7,581	205,997	213,578
Occupancy	-	-	-	-	-	-	139,508	139,508	10,919	150,427
Miscellaneous	-	-	1,570	-	-	-	4,285	5,855	21,139	26,994
Total expenses	<u>\$ 1,972,380</u>	<u>\$ 274,243</u>	<u>\$ 2,643,107</u>	<u>\$ 1,154,729</u>	<u>\$ 6,527,180</u>	<u>\$ 3,215,424</u>	<u>\$ 203,689</u>	<u>\$ 15,990,752</u>	<u>\$ 1,375,133</u>	<u>\$ 17,365,885</u>

See accompanying notes to financial statements.

GENERATION: YOU EMPLOYED, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,842,652)	\$ (1,369,462)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of software license	614,225	614,220
Changes in assets and liabilities		
Grants and contributions receivable	5,976,741	2,201,145
Prepaid expenses	(16,595)	-
Accounts payable and accrued expenses	(843,413)	598,643
Contingent liability	<u>-</u>	<u>(898,300)</u>
Net cash provided by operating activities	<u>888,306</u>	<u>1,146,246</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	888,306	1,146,246
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,803,473</u>	<u>657,227</u>
End of year	<u>\$ 2,691,779</u>	<u>\$ 1,803,473</u>

See accompanying notes to financial statements.

GENERATION: YOU EMPLOYED, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1. ORGANIZATION AND PROGRAM SERVICES

Generation: You Employed, Inc. (You Employed, formerly known as McKinsey Social Initiative) is an independent nonprofit organization founded by McKinsey & Company (McKinsey), built to develop innovative approaches to complex social challenges. It is a separate organization exempt under Internal Revenue Code (IRC) Section 501(c)(3) that houses programs focusing on a single issue. These programs convene diverse partnerships to co-create new methodologies, and they apply McKinsey's analytical and management expertise to shape powerful cross-disciplinary approaches. You Employed helps manage and implement solutions at speed and scale, and test and improve those solutions, so they can be shared and replicated.

Today, more than 75 million young adults are out of work, and three times as many are underemployed. At the same time, 40 percent of employers say a skills shortage is leaving them with entry-level vacancies. Generation aims to close this gap through an ambitious program that accelerates learning, places disconnected young adults in jobs, and gives them the skills and support they need to achieve enduring personal and professional success. Generation is the first program of You Employed.

Generation aims to connect one million young people to skills and jobs across five countries (Kenya, India, Mexico, Spain and the U.S.) by 2020. In two years of operation, Generation is in more than 20 cities and more than 50 locations, and has supported more than 8,000 youth. Generation has a 91% employment rate by graduation day and 400+ employer partners, of whom 98% say they would hire from Generation again. Generation graduates earn salaries that place them above the 50th income percentile in their countries.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - You Employed's financial statements have been prepared on the accrual basis of accounting.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will expire based on actions of You Employed or by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by You Employed. Generally, the donors of these assets permit You Employed to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. You Employed did not have any permanently restricted net assets at December 31, 2016 and 2015.

Unrestricted contributions and all revenues from exchange transactions are reported as increases in unrestricted net assets. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment - Purchased property and equipment is capitalized at cost. Donated property and equipment is capitalized at the estimated fair value at the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Depreciation is computed using the straight-line method over the license period for software licenses.

In-Kind Support - You Employed's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

NOTE 3. TAX EXEMPT STATUS

You Employed is exempt from Federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

You Employed accounts for income taxes in accordance with the Accounting Standards Codification (ASC) Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. You Employed performed an evaluation of uncertain tax positions for the years ended December 31, 2016 and 2015, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2014 - 2015 remains open with the U.S. federal jurisdiction. It is You Employed's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31, 2016 are due as follows:

Amounts due in less than one year	\$ 4,749,115
Amounts due in two to five years	<u>4,000,000</u>
	8,749,115
Less: discount to net present value	<u>(29,777)</u>
Net grants and contributions receivable	<u>\$ 8,719,338</u>

93% of the total contributions receivable are due from McKinsey.

NOTE 5. PROPERTY AND EQUIPMENT

The net book value of property and equipment as of December 31, 2016 and 2015 relates to You Employed's ownership of certain software licenses, as follows:

	Estimated Useful Life (in months)	December 31, <u>2016</u>	December 31, <u>2015</u>
Software license	27	\$ 1,382,000	\$ 1,382,000
Less: accumulated amortization		<u>(1,382,000)</u>	<u>(767,775)</u>
		<u>\$ -</u>	<u>\$ 614,225</u>

NOTE 6. RELATED PARTIES

McKinsey employees provide certain programmatic as well as general and management services to You Employed which are reported as in-kind contributions. The total fair value of these services for the years ended December 31, 2016 and 2015 was \$14,265,061 and \$10,733,019, respectively.

McKinsey also provides office space in Washington, D.C. to You Employed which is reported as an in-kind contribution. The fair value of this office space for the years ended December 31, 2016 and 2015 was \$154,920 and \$150,427, respectively.

NOTE 7. CONCENTRATIONS

You Employed maintains its cash and cash equivalents with a single financial institution. Deposits are entirely insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At December 31, 2016, You Employed had uninsured cash balances of approximately \$2,464,000. Management regularly monitors the financial institutions, together with its cash balances, to reduce any potential risk.

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available to support activities during the year ended December 31, 2016, as follows:

	<u>Beginning of Year</u>	<u>Restricted Contributions</u>	<u>Net Assets Released</u>	<u>End of Year</u>
Time-restricted only	\$ 11,910,891	\$ 59,332	\$ (4,000,000)	\$ 7,970,223
Purpose restricted				
USAID	-	3,220,639	(3,220,639)	-
Wal-Mart	2,506,017	1,250,000	(1,248,398)	2,507,619
Sobrato - GenTech	99,940	100,000	(179,833)	20,107
Longwood Foundation	-	750,000	(159,290)	590,710
First Coast	-	269,894	(269,894)	-
Umsizi Fund	-	62,000	-	62,000
Greater Houston Partnership	-	22,134	(1,345)	20,789
	<u>\$ 14,516,848</u>	<u>\$ 5,733,999</u>	<u>\$ (9,079,399)</u>	<u>\$ 11,171,448</u>

Temporarily restricted net assets were available to support activities during the year ended December 31, 2015, as follows:

	<u>Beginning of Year</u>	<u>Restricted Contributions</u>	<u>Net Assets Released</u>	<u>End of Year</u>
Time-restricted only	\$ 15,822,224	\$ 88,667	\$ (4,000,000)	\$ 11,910,891
Purpose restricted				
USAID	-	1,728,086	(1,728,086)	-
Wal-Mart	-	3,200,000	(693,983)	2,506,017
Sobrato - GenTech	-	100,000	(60)	99,940
	<u>\$ 15,822,224</u>	<u>\$ 5,116,753</u>	<u>\$ (6,422,129)</u>	<u>\$ 14,516,848</u>

NOTE 9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2017, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to, or disclosure in, the accompanying financial statements.