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The Yunique Foundation
Financial Statements
As of December 31, 2017 and 2016 and for the Years Then Ended
Together with Independent Auditors' Report

The Younique Foundation

Table of Contents

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-12



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Younique Foundation

We have audited the accompanying financial statements of The Younique Foundation (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and 2016 the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 the financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider 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 The Younique Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Tanner LLC

July 20, 2018

The Younique Foundation
 Statements of Financial Position
 As of December 31,

	2017	2016
<u>Assets</u>		
Cash	\$ 986,574	\$ 227,709
Related party and other receivables, net	84,711	71,424
Inventory	115,223	179,092
Prepaid expenses	30,160	53,010
Other assets	4,000	3,500
Property and equipment, net	244,976	252,367
Trademarks	152,647	-
Total assets	\$ 1,618,291	\$ 787,102
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 90,265	\$ 106,836
Accrued liabilities	199,643	196,656
Other accrued liabilities	61,190	6,512
Total liabilities	351,098	310,004
Net assets:		
Without donor restrictions	1,267,193	477,098
Total liabilities and net assets	\$ 1,618,291	\$ 787,102

See notes to the financial statements.

The Younique Foundation
 Statements of Activities
 For the Years Ended December 31,

	2017	2016
Revenues, gains, and other support:		
Contributions	\$ 6,750,131	\$ 3,906,099
In-kind donations	348,296	144,083
Sales of merchandise	85,443	55,407
Total revenues, gains, and other support	7,183,870	4,105,589
Expenses:		
Healing services	3,153,631	2,225,353
Public dialogue	1,146,791	573,089
Education	596,803	455,253
Management and general	632,725	348,355
Fundraising	863,825	312,905
Total expenses	6,393,775	3,914,955
Change in net assets without donor restrictions	790,095	190,634
Net assets without donor restrictions at beginning of year	477,098	286,464
Net assets without donor restrictions at end of year	\$ 1,267,193	\$ 477,098

See notes to the financial statements.

The Younique Foundation
 Statements of Functional Expenses
 For the Year Ended December 31, 2017

	Program Services				Supporting Services		
	Healing Services	Public Dialogue	Education	Total	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,178,907	\$ 811,610	\$ 476,123	\$ 3,466,640	\$ 374,553	\$ 520,033	\$ 4,361,226
Occupancy	437,883	51,888	51,924	541,695	51,834	52,663	646,192
Professional services	136,334	38,135	23,143	197,612	56,645	74,131	328,388
Materials and supplies	252,943	28,891	3,403	285,237	12,115	10,034	307,386
Advertising and promotion	205	141,216	7,649	149,070	3,015	62,543	214,628
Travel and professional training	20,835	33,574	4,459	58,868	83,352	8,112	150,332
Depreciation	73,956	16,028	7,943	97,927	7,334	4,504	109,765
Cost of sales	-	89	-	89	-	97,557	97,646
Information technology	17,800	17,816	19,977	55,593	11,951	21,926	89,470
Other	14,258	3,908	728	18,894	26,109	10,868	55,871
Insurance	20,510	3,636	1,454	25,600	5,817	1,454	32,871
Total Expenses	\$ 3,153,631	\$ 1,146,791	\$ 596,803	\$ 4,897,225	\$ 632,725	\$ 863,825	\$ 6,393,775

See notes to the financial statements.

The Younique Foundation
 Statements of Functional Expenses - *continued*
 For the Year Ended December 31, 2016

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Healing Services</u>	<u>Public Dialogue</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 1,378,462	\$ 221,336	\$ 373,910	\$ 1,973,708	\$ 251,166	\$ 165,884	\$ 2,390,758
Occupancy	317,614	28,816	29,041	375,471	31,499	28,817	435,787
Advertising and promotion	300	271,048	19,675	291,023	8,057	24,922	324,002
Materials and supplies	215,476	7,746	5,923	229,145	3,833	21,783	254,761
Professional services	179,486	23,115	11,982	214,583	23,109	13,258	250,950
Travel and professional training	39,965	9,625	6,598	56,188	8,434	374	64,996
Insurance	15,668	4,695	2,618	22,981	6,093	1,975	31,049
Information technology	9,200	1,506	1,384	12,090	6,926	3,540	22,556
Depreciation	63,487	4,972	3,979	72,438	4,606	1,502	78,546
Cost of sales	-	-	-	-	-	42,982	42,982
Other	5,695	230	143	6,068	4,632	7,868	18,568
Total expenses	<u>\$ 2,225,353</u>	<u>\$ 573,089</u>	<u>\$ 455,253</u>	<u>\$ 3,253,695</u>	<u>\$ 348,355</u>	<u>\$ 312,905</u>	<u>\$ 3,914,955</u>

See notes to the financial statements.

The Younique Foundation
 Statements of Cash Flows
 For the Years Ended December 31,

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 790,095	190,634
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	109,765	78,546
Decrease (increase) in:		
Related party and other receivables	(13,287)	(28,804)
Inventory	63,869	(179,092)
Prepaid expenses	22,850	(32,778)
Other assets	(500)	(318)
Increase (decrease) in:		
Accounts payable	(16,571)	86,971
Accrued liabilities	2,987	153,632
Other accrued liabilities	54,678	3,347
Net cash provided by operating activities	1,013,886	272,138
Cash flows from investing activities:		
Purchase of property and equipment	(102,374)	(178,060)
Cost to secure trademarks	(152,647)	-
Cash used investing activities	(255,021)	(178,060)
Net change in cash	758,865	94,078
Cash at beginning of the year	227,709	133,631
Cash at end of the year	\$ 986,574	227,709

See notes to the financial statements.

Note 1 - Organization

The Younique Foundation (the Foundation), a nonprofit corporation, was incorporated on December 5, 2014. The Foundation's mission is to inspire hope in women who were sexually abused as children or adolescents by providing healing services through retreats, survivor communities, and online resources. The Foundation also empowers parents and caregivers to protect children from sexual abuse through education and online resources, and makes it safe to openly discuss sexual abuse through community dialogue and social awareness.

The Foundation is governed by an independent, volunteer Board of Directors who oversees the Foundation's operations. Revenues to support the Foundation are primarily received from donations of cash, materials, and services.

The Foundation is primarily dependent upon contributions to be able to fund its operations, therefore, in order to provide future services, the Foundation will need to continue to receive contributions.

The accompanying financial statements have been prepared in accordance with standards for not-for-profit foundations adopted by the Financial Accounting Standards Board. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. There were no net assets with donor restrictions as of December 31, 2017 and 2016.

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 estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Cash

From time to time during the year, the Foundation's cash balance in financial institutions has exceeded the Federal Deposit Insurance Corporation (FDIC) coverage limits. As of December 31, 2017 and 2016, the Foundation had \$706,995 and \$57,812 in bank deposit accounts that exceeded FDIC coverage limits.

To date, the Foundation has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Foundation's cash will not be impacted by adverse conditions in the financial markets.

Note 2 – Summary of Significant Accounting Policies - *continued*

Related Party and Other Receivables

Related party receivables consist primarily of receivables from Younique LLC and its presenters (sellers). Those amounts include commission donations, payroll donations, and round-up donations. The Foundation receives a monthly statement from Younique LLC identifying what those amounts are (prior to payment being made). As of December 31, 2017 and 2016, related party receivables totaled \$82,193 and \$58,756, respectively. All other amounts are recorded when notice is received. In addition to these related party receivables, the Foundation had a sales tax receivable in the amount of \$1,100 and \$12,668 as of December 31, 2017 and 2016, respectively, from the state of Utah. Management has determined that an allowance for doubtful accounts of \$5,000 and \$0 as of December 31, 2017 and 2016, respectively, is sufficient to cover potentially uncollectable receivables.

Inventory

Inventory consists mainly of online store merchandise and is stated at the lower of cost or net reliable value, based upon the average cost method. The Foundation periodically reviews inventory for obsolescence. Management determined that an allowance for obsolete inventory was not necessary as of December 31, 2017 and 2016.

Property and Equipment

Property and equipment is recorded at cost for purchased assets or fair value at the date of donation for donated assets. The Foundation capitalizes all acquisitions greater than \$500. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation is recorded using the straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

Impairment of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred based on expected cash flows, such loss is recognized in the statements of activities.

Contributions and Donor Restrictions

Contributions received are classified depending on the existence and/or nature of any donor restrictions. Contributions are classified as either “contributions with donor restrictions” or “contributions without donor restrictions” depending on donor imposed restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Note 2 – Summary of Significant Accounting Policies - *continued*

Contributions and Donor Restrictions - continued

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated assets are acquired or placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restriction at that time.

In-Kind Donations

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and assignments; however, those services do not meet the above criteria. The Foundation receives donations from a variety of sources for services and materials in the furtherance of its objectives. The in-kind donations reported in the financial statements consists principally of the value of leased office space contributed by Younique LLC.

Revenue Recognition

Revenue in relation to sales of merchandise are recognized at the time an arrangement exists, goods are provided, the price is fixed or determinable, and collection is reasonably assured.

Advertising and Promotion

The Foundation expenses advertising and promotion costs as incurred. Total advertising and promotion expense was \$214,628 and \$324,002 for the years ended December 31, 2017 and 2016, respectively.

Program Services

Healing Services: Includes activities associated with hosting adult female survivors of childhood sexual abuse at a retreat, where they are uplifted by each other and learn skills that can help them find individual healing. In addition, outpatient services are provided to some local clients for long-term care.

Public Dialogue: Involves operations associated with leading the public dialogue to bring the epidemic of sexual abuse to light.

Education: Includes education activities designed to empower parents and caregivers to protect children from sexual abuse.

Allocated Administrative Expenses

The costs of providing the programs and services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Note 2 – Summary of Significant Accounting Policies - *continued*

Income Taxes

The Foundation is organized as a state of Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as being exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a foundation described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under sections 509(a)(1). The Foundation is required to file a return of Foundation Exempt from Income Tax (Form 990) with the IRS. The Foundation is subject to taxation on unrelated business income, if any.

As of December 31, 2017 and 2016, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about not-for-profit entity's liquidity, financial performance, and cash flows. It further provides more useful information to donors, grantors, creditors, and other users of the financial statements. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. Management determined to early adopt ASU 2016-14, as of December 31, 2016

Subsequent Events

Management has evaluated subsequent events through July 20, 2018 which is the date the financial statements were available to be issued.

Note 3 – Property and Equipment

As of December 31, 2017 and 2016, the cost of property and equipment was as follows:

	<u>Depreciable</u>	<u>2017</u>	<u>2016</u>
	<u>Lives</u>		
Vehicles	3 – 5 years	\$ 193,502	\$ 193,502
Computer equipment	3 years	160,770	109,987
Equipment	3 – 5 years	50,847	35,563
Furniture & fixtures	3 – 7 years	3,088	3,088
Work-in-process		36,307	-
Total Cost		444,514	342,140
Less accumulated depreciation		(199,540)	(89,773)
Net property and equipment		<u>\$ 244,976</u>	<u>\$ 252,367</u>

Depreciation expense on property and equipment for the years ended December 31, 2017 and 2016 was \$109,765 and \$78,546, respectively.

Note 4 – Commitments and Contingencies

The Foundation has one-year rent agreements for the facilities used in its Haven Retreat. As of December 31, 2017, the prepaid rent associated with those facilities was \$29,970. The Foundation also has a rent agreement for facilities used in its outpatient services. As of December 31, 2017 required future minimum payments under these lease for 2018 was \$329,670.

In the normal course of operations, the Foundation may become party to lawsuits or other claims. Management is not aware of any such claims for which the uninsured amount would be material to the Foundation's financial position.

Note 5 – Related Parties

The Foundation receives a significant portion of its support from two related parties (Derek & Shelaine Maxfield, Donor A below; and Younique Corporation, Donor B below). Included in Donor B's donation, is an in-kind donation for the Foundation's use of office space at Younique's corporate office. As of December 31, 2017 and 2016, the value of the use of the office space was \$259,097 and \$144,083, respectively. As of December 31, 2017 and 2016, the Foundation had receivables of \$82,193 and \$58,756, respectively, from Donor B for donations from its presenters and customers, which is included in related party and other receivables on the statements of financial position. For the years ended December 31, 2017 and 2016, the following donations came from related party donors, or activities associated with the related party donor:

The Younique Foundation
Notes to the Financial Statements

Note 5 – Related Parties - *continued*

		<u>2017</u>		<u>2016</u>
Donors:				
Donor A	71%	\$ 3,661,199	6%	\$ 250,103
Donor B	26%	1,331,658	91%	3,534,560
Donor C	3%	144,500	3%	101,200
		<u>\$ 5,137,357</u>		<u>\$ 3,885,863</u>