

YOUTH ON THEIR OWN

AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Youth on Their Own
Tucson, Arizona

Report on the financial statements

We have audited the accompanying financial statements of Youth on Their Own, which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 Youth on Their Own as of June 30, 2014 and 2013, 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.

HBL CPAs, P.C.

HBL CPAs, P.C.

October 15, 2014

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 162,206	\$ 950,916
Investments	948,031	72,569
Grants receivable and other receivables	140	25,927
Unconditional promises to give	2,250	4,275
Prepaid expenses and other assets	30,889	31,705
Property and equipment	622,153	642,080
Beneficial interest in funds held by others	108,864	75,684
	<u>\$ 1,874,533</u>	<u>\$ 1,803,156</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 35,434	\$ 22,648
Accrued expenses	32,921	19,742
Note payable	218,131	390,544
	<u>286,486</u>	<u>432,934</u>
Net assets:		
Unrestricted:		
Expended for property and equipment	404,022	251,536
Available for operations	999,249	874,382
	<u>1,403,271</u>	<u>1,125,918</u>
Temporarily restricted	97,250	177,328
Permanently restricted	87,526	66,976
	<u>1,588,047</u>	<u>1,370,222</u>
	<u>\$ 1,874,533</u>	<u>\$ 1,803,156</u>

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

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
Year ended June 30, 2014

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Totals</u>
Public support and revenues:				
Contributions	\$ 652,543	\$ 62,617	\$ 20,550	\$ 735,710
Government grants	165,281	-	-	165,281
Foundation grants	547,927	79,750	-	627,677
In-kind donations	257,760	-	-	257,760
Special events, net of direct donor benefit costs of \$64,528	249,370	30,666	-	280,036
Investment income	83,549	12,558	-	96,107
Other income	6,130	-	-	6,130
	<u>1,962,560</u>	<u>185,591</u>	<u>20,550</u>	<u>2,168,701</u>
Releases from restrictions	<u>265,529</u>	<u>(265,529)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,228,089</u>	<u>(79,938)</u>	<u>20,550</u>	<u>2,168,701</u>
Expenses and losses:				
Expenses:				
Program services	1,516,732	-	-	1,516,732
Administration	58,584	-	-	58,584
Fundraising	375,420	-	-	375,420
Total expenses	<u>1,950,736</u>	<u>-</u>	<u>-</u>	<u>1,950,736</u>
Bad debt loss	<u>-</u>	<u>140</u>	<u>-</u>	<u>140</u>
Total expenses and losses	<u>1,950,736</u>	<u>140</u>	<u>-</u>	<u>1,950,876</u>
Change in net assets	277,353	(80,078)	20,550	217,825
Net assets, beginning of year	<u>1,125,918</u>	<u>177,328</u>	<u>66,976</u>	<u>1,370,222</u>
Net assets, end of year	<u>\$ 1,403,271</u>	<u>\$ 97,250</u>	<u>\$ 87,526</u>	<u>\$ 1,588,047</u>

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

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
Year ended June 30, 2013

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Totals</u>
Public support and revenues:				
Contributions	\$ 741,152	\$ 176,500	\$ 2,425	\$ 920,077
Government grants	204,815	-	-	204,815
Foundation grants	396,473	-	-	396,473
In-kind donations	356,221	-	-	356,221
Special events, net of direct donor benefit costs of \$90,926	218,880	5,100	-	223,980
Investment income	7,664	5,702	-	13,366
Other income	50	-	-	50
	<u>1,925,255</u>	<u>187,302</u>	<u>2,425</u>	<u>2,114,982</u>
Releases from restrictions	<u>27,046</u>	<u>(27,046)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,952,301</u>	<u>160,256</u>	<u>2,425</u>	<u>2,114,982</u>
Expenses and losses:				
Expenses:				
Program services	1,278,080	-	-	1,278,080
Administration	57,840	-	-	57,840
Fundraising	396,541	-	-	396,541
Total expenses	<u>1,732,461</u>	<u>-</u>	<u>-</u>	<u>1,732,461</u>
Loss on disposal of property	110,886	-	-	110,886
Bad debt loss	-	6,340	-	6,340
Total expenses and losses	<u>1,843,347</u>	<u>6,340</u>	<u>-</u>	<u>1,849,687</u>
Change in net assets	108,954	153,916	2,425	265,295
Transfers	-	(1,435)	1,435	-
Net assets, beginning of year	<u>1,016,964</u>	<u>24,847</u>	<u>63,116</u>	<u>1,104,927</u>
Net assets, end of year	<u>\$ 1,125,918</u>	<u>\$ 177,328</u>	<u>\$ 66,976</u>	<u>\$ 1,370,222</u>

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

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2014

	Program services	Adminis- tration	Fundraising	Total
Salaries and wages	\$ 360,695	\$ 35,916	\$ 104,811	\$ 501,422
Payroll taxes and benefits	63,534	6,689	17,698	87,921
	<u>424,229</u>	<u>42,605</u>	<u>122,509</u>	<u>589,343</u>
Advertising	10,568	1	27,698	38,267
Bank service charges	9,174	405	949	10,528
Conferences and meetings	1,277	80	4,188	5,545
Depreciation	19,233	1,131	2,263	22,627
Direct donor benefit costs	-	-	64,528	64,528
Donor-related expenses	822	23	22,223	23,068
Dues and subscriptions	111	69	3,487	3,667
Equipment rental	6,060	311	625	6,996
In-kind expenses	153,001	622	103,344	256,967
Insurance	5,046	1,003	594	6,643
Interest	12,087	711	1,422	14,220
Investment fees	5,283	311	621	6,215
Meals and entertainment	1,803	1,785	1,124	4,712
Miscellaneous	4,068	831	5,222	10,121
Postage and delivery	4,225	218	5,126	9,569
Printing and reproduction	1,360	124	26,018	27,502
Professional services	84,744	3,580	24,277	112,601
Repairs and maintenance	5,651	576	665	6,892
Stipends	654,265	-	-	654,265
Student events	1,513	-	1,915	3,428
Student special needs	71,173	-	8,445	79,618
Supplies	14,497	813	3,047	18,357
Telephone	9,707	601	1,811	12,119
Training and education	1,094	1,692	3,893	6,679
Travel	12,457	862	3,494	16,813
Utilities	8,567	541	1,081	10,189
Total functional expenses	<u>1,522,015</u>	<u>58,895</u>	<u>440,569</u>	<u>2,021,479</u>
Less expenses netted against revenues:				
Investment fees	(5,283)	(311)	(621)	(6,215)
Direct donor benefit costs	-	-	(64,528)	(64,528)
Total expenses	<u>\$ 1,516,732</u>	<u>\$ 58,584</u>	<u>\$ 375,420</u>	<u>\$ 1,950,736</u>

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

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2013

	Program services	Adminis- tration	Fundraising	Total
Salaries and wages	\$ 306,916	\$ 35,333	\$ 65,449	\$ 407,698
Payroll taxes and benefits	39,776	5,388	7,529	52,693
	<u>346,692</u>	<u>40,721</u>	<u>72,978</u>	<u>460,391</u>
Advertising	6,991	397	24,229	31,617
Bank service charges	8,076	346	697	9,119
Conferences and meetings	962	1,076	1,750	3,788
Depreciation	13,459	546	1,092	15,097
Direct donor benefit costs	-	-	51,245	51,245
Dues and subscriptions	1,067	209	3,686	4,962
Equipment rental	6,448	82	803	7,333
In-kind expenses	108,338	461	226,867	335,666
Insurance	7,258	9,053	433	16,744
Interest	12,903	312	623	13,838
Meals and entertainment	2,310	742	1,674	4,726
Miscellaneous	1,330	381	1,225	2,936
Postage and delivery	2,531	-	9,383	11,914
Printing and reproduction	4,083	-	15,919	20,002
Professional services	52,526	1,233	9,163	62,922
Repairs and maintenance	15,666	684	943	17,293
Stipends	562,119	-	-	562,119
Student events	6,641	-	688	7,329
Student special needs	61,902	-	13,695	75,597
Supplies	27,902	449	5,896	34,247
Telephone	13,608	299	723	14,630
Training and education	535	177	1,127	1,839
Travel	6,606	478	2,685	9,769
Utilities	8,127	194	262	8,583
Total functional expenses	<u>1,278,080</u>	<u>57,840</u>	<u>447,786</u>	<u>1,783,706</u>
Less direct donor benefit costs netted against special events revenue			(51,245)	(51,245)
Total expenses	<u>\$ 1,278,080</u>	<u>\$ 57,840</u>	<u>\$ 396,541</u>	<u>\$ 1,732,461</u>

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

YOUTH ON THEIR OWN
STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 217,825	\$ 265,295
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	22,627	15,097
Unrealized (gains)	(58,251)	(2,245)
Realized (gains) losses	(4,919)	179
Donated securities	(24,850)	(87,920)
Change in value of beneficial interest in funds held by others	(13,900)	(6,877)
Loss on disposal of property	-	110,886
Bad debt loss	140	6,340
(Increase) decrease in operating assets:		
Grants receivable and other receivables	25,787	(3,833)
Unconditional promises to give	1,885	3,485
Prepaid expenses and other assets	816	(22,535)
Increase (decrease) in operating liabilities:		
Accounts payable	12,786	18,856
Accrued expenses	13,179	10,247
Less contributions for long-term purposes	(95,550)	(2,425)
Net cash provided by operating activities	<u>97,575</u>	<u>304,550</u>
Cash flows from investing activities:		
Purchases and reinvestment of dividends	(923,222)	(50)
Sales of investments	135,780	18,237
Additions to beneficial interest in funds held by others	(20,000)	(4,111)
Distributions from beneficial interest in funds held by others	720	2,139
Purchases of property and equipment	(2,700)	(248,410)
Proceeds from sale of property	-	165,083
Net cash (used in) investing activities	<u>(809,422)</u>	<u>(67,112)</u>
Cash flows from financing activities:		
Principal repayments on note payable	(172,413)	(12,924)
Contributions for long-term purposes	95,550	2,425
Net cash (used in) financing activities	<u>(76,863)</u>	<u>(10,499)</u>
Change in cash and cash equivalents	(788,710)	226,939
Cash and cash equivalents, beginning of year	<u>950,916</u>	<u>723,977</u>
Cash and cash equivalents, end of year	<u>\$ 162,206</u>	<u>\$ 950,916</u>

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

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 – Organization

Youth on Their Own (YOTO) is an Arizona nonprofit corporation, incorporated in 1989 for the purpose of supporting high school graduation of homeless youth by providing financial assistance, basic needs and guidance. YOTO's support comes primarily from individual, business, foundation, church and service club contributions, as well as from various governmental agency grants. YOTO's primary program includes the two following components:

Student living expenses – Program activities include providing a monthly stipend for living assistance and providing basic needs from a bank of donated items.

Student special needs – Program activities include cash grants to meet individual needs, such as rent, utilities, health expenses, clothing and transportation.

NOTE 2 – Summary of significant accounting policies

Financial statement presentation

YOTO is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting 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.

Cash and cash equivalents

Youth on Their Own considers all cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. YOTO maintains its cash in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. There was no uninsured cash at June 30, 2014.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Receivables

Grants and accounts receivable and unconditional promises to give are stated at unpaid balances. Management believes all receivables are fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is YOTO's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Property and equipment

Purchased equipment is carried at cost. Donated equipment is carried at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 39 years. YOTO capitalizes all expenditures of \$2,500 or more for equipment with a useful life of more than one year.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 2 – Summary of significant accounting policies - continued

Advertising

Advertising costs are expensed as incurred.

Contributions/restricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 statements of activities as net assets released from restrictions.

Donated goods, facilities and services

Donated goods and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although YOTO may utilize the services of outside volunteers, the fair value of these services has not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Expense allocation

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

Income tax status

YOTO is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to YOTO's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, YOTO qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(11) and is classified as an organization other than a private foundation under Section 509(a)(2).

YOTO has not identified any uncertain tax positions that require reporting under U.S. generally accepted accounting principles. YOTO would recognize costs related to any such uncertainties as interest expense and penalties in operating expenses. During the years ended June 30, 2014 and 2013, YOTO recognized no such interest or penalties.

YOTO files information returns in the U.S. federal jurisdiction. The State of Arizona accepts a copy of the federal information return. No examinations by any such taxing jurisdictions are pending or anticipated. In general, YOTO is subject to examination of its U.S. federal information returns for three years after the date the returns were filed.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 2 – Summary of significant accounting policies – continued

Endowments

The Organizations' endowments consist of funds held at the Community Foundation for Southern Arizona (CFSA) and the Jewish Community Foundation (JCF). As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the YOTO has interpreted the State of Arizona's Prudent Management of Institutional Funds Act (PMIFA) (the Act) 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, YOTO classifies as permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, YOTO considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization 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 the organization
- (7) The investment policies of the organization.

NOTE 3 – Supplemental cash flow information and non-cash investing and financing activity

During the years ended June 30, 2014 and 2013, YOTO had the following cash activity and non-cash investing and financing activity:

	2014	2013
Supplementary cash flows information:		
Cash paid for interest	\$ 14,220	\$ 13,838
	\$ 14,220	\$ 13,838
Non-cash investing and financing activity:		
Land and building acquired	\$ -	\$ 599,614
Less note payable	-	(400,000)
Cash paid for land and building	\$ -	\$ 199,614
Gross proceeds from sale of land and building	\$ -	\$ 310,391
Less retirement of debt	-	(145,308)
Cash proceeds	\$ -	\$ 165,083

There was no cash paid for income taxes in either 2014 or 2013.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 4 – Fair value measurements and investments

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset. A fair value hierarchy distinguishes between market participant assumptions and YOTO’s own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources; while unobservable inputs are YOTO’s own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of Youth on Their Own’s publicly traded securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. YOTO does not utilize Level 2 inputs.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. Beneficial interest in funds held at CFSA and JCF are considered as valued based on Level 3 inputs, because the Organization owns units of pooled funds held at CFSA and JCF, and relies on those organizations to provide the value of those funds. At CFSA and JCF, these pooled investments are primarily held in marketable securities and are considered to be valued based on Level 1 inputs.

Fair values of assets measured on a recurring basis at June 30, 2014 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities - mutual funds:			
Domestic equity funds	\$ 361,699	\$ -	\$ 361,699
International equity funds	130,625	-	130,625
Bond funds	345,921	-	345,921
Commodity funds	59,679	-	59,679
Real estate investment trusts	50,107	-	50,107
Beneficial interest in fund held by others	-	108,864	108,864
	<u>\$ 948,031</u>	<u>\$ 108,864</u>	<u>\$ 1,056,895</u>

Fair values of assets measured on a recurring basis at June 30, 2013 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities:			
Domestic equity securities	\$ 50,439	\$ -	\$ 50,439
Mutual funds:			
Domestic equity funds	1,209	-	1,209
International equity funds	17,304	-	17,304
Exchange-traded funds	3,617	-	3,617
Beneficial interest in fund held by others	-	75,684	75,684
	<u>\$ 72,569</u>	<u>\$ 75,684</u>	<u>\$ 148,253</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 4 – Fair value measurements and investments - continued

Activity in assets measured on a recurring basis using Level 3 inputs consisted of the following for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beneficial interest in fund held by others:		
Fair value at the beginning of the year	\$ 75,684	\$ 66,835
Change in value	13,900	6,877
Additions	20,000	4,111
Distributions	(720)	(2,139)
Fair value at the end of the year	<u>\$ 108,864</u>	<u>\$ 75,684</u>

Investment income for the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 25,732	\$ 4,483
Unrealized gains	58,251	2,245
Realized gains (losses)	4,919	(179)
Change in value of beneficial interest in fund held by others	13,900	6,877
Fees	(6,695)	(60)
	<u>\$ 96,107</u>	<u>\$ 13,366</u>

NOTE 5 – Unconditional promises to give

Unconditional promises to give of \$2,250 and \$4,275 at June 30, 2014 and 2013, respectively, are all due within one year, are considered by management to be fully collectible and are included in temporarily restricted net assets as restricted for future periods.

NOTE 6 – Property and equipment

Property and equipment at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 121,000	\$ 121,000
Buildings	513,099	510,399
Furniture and equipment	25,615	49,162
	<u>659,714</u>	<u>680,561</u>
Less accumulated depreciation	(37,561)	(38,481)
	<u>\$ 622,153</u>	<u>\$ 642,080</u>

NOTE 7 – Note payable

YOTO had the following note payable at June 30, 2014 and 2013:

<u>Note holder</u>	<u>Monthly payment*</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Collateral</u>	<u>2014</u>	<u>2013</u>
Bank	\$ 3,053	4.40%	Nov 2022	Real property	\$ 218,131	\$ 390,544

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 7 – Note payable - continued

Future minimum payments are as follows:

Year ending June 30, 2015	\$	27,735
2016		28,832
2017		30,127
2018		31,479
2019		32,893
Thereafter		67,065
	\$	<u>218,131</u>

NOTE 8 – Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended June 30, 2014:

	Beginning balance	Contributions	Investment income	Releases/ appropriations	Bad debt loss	Ending balance
Teen mothers	\$ 2,962	\$ -	\$ -	\$ (2,962)	\$ -	\$ -
Purchase of gift cards	33,742	4,090	-	(26,978)	-	10,854
Scholarships	-	11,900	-	(6,803)	-	5,097
Mini mall purchases	-	49,593	-	(7,057)	-	42,536
Student advocate and program salaries	-	80,750	-	(70,750)	-	10,000
Graduation	-	20,000	-	(19,775)	-	225
After-school workshops	-	4,000	-	(899)	-	3,101
Restricted for future periods	129,275	2,700	-	(129,585)	(140)	2,250
Accumulated endowment earnings	11,349	-	12,558	(720)	-	23,187
	<u>\$ 177,328</u>	<u>\$ 173,033</u>	<u>\$ 12,558</u>	<u>\$ (265,529)</u>	<u>\$ (140)</u>	<u>\$ 97,250</u>

Temporarily restricted net asset activity was as follows during the year ended June 30, 2013:

	Beginning balance	Contributions	Investment income	Releases/ appropriations	Transfers	Bad debt loss	Ending balance
Teen mothers	\$ 2,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,962
Purchase of gift cards	-	47,010	-	(13,268)	-	-	33,742
Restricted for future periods	14,100	134,590	-	(13,075)	-	(6,340)	129,275
Accumulated endowment earnings	7,785	-	5,702	(703)	(1,435)	-	11,349
	<u>\$ 24,847</u>	<u>\$ 181,600</u>	<u>\$ 5,702</u>	<u>\$ (27,046)</u>	<u>\$ (1,435)</u>	<u>\$ (6,340)</u>	<u>\$ 177,328</u>

YOUTH ON THEIR OWN
 NOTES TO FINANCIAL STATEMENTS - continued
 June 30, 2014 and 2013

NOTE 9 – Permanently restricted net assets

Permanently restricted net assets consisted of the following at June 30, 2014:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Total</u>
Earnings temporarily restricted by law until appropriated by Board of Directors:				
Fischmann endowment	\$ 20,298	\$ -	\$ -	\$ 20,298
Redding endowments	46,678	20,550	-	67,228
	<u>\$ 66,976</u>	<u>\$ 20,550</u>	<u>\$ -</u>	<u>\$ 87,526</u>

Permanently restricted net assets consisted of the following at June 30, 2013:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Total</u>
Earnings temporarily restricted by law until appropriated by Board of Directors:				
Fischmann endowment	\$ 20,298	\$ -	\$ -	\$ 20,298
Redding endowments	42,818	2,425	1,435	46,678
	<u>\$ 63,116</u>	<u>\$ 2,425</u>	<u>\$ 1,435</u>	<u>\$ 66,976</u>

NOTE 10 – Endowments

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature to be reported as of June 30, 2014 and 2013 were \$0 and \$1,342, respectively.

Return objectives and risk parameters

The Organization has no formally adopted investment policies for the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Investment strategies

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Organization has two endowment funds held at CFSA and JCF, and has adopted the spending policy of those organizations for these funds. Accumulated earnings on these endowments are released as appropriations from temporarily restricted net assets when distributed by CFSA and JCF and the related restriction (if any) has been met.

See Note 8 for endowment-related activities in temporarily restricted net assets, and Note 9 for endowment-related activities in permanently restricted net assets.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 10 – Endowments - continued

Endowment fund net assets

Net assets in the endowment funds consisted of the following at June 30, 2014:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ (1,342)	\$ 11,349	\$ 66,976	\$ 76,983
Contributions	-	-	20,550	20,550
Change in value of beneficial interest in funds held by others	1,342	12,558	-	13,900
Appropriations	-	(720)	-	(720)
Ending balance	<u>\$ -</u>	<u>\$ 23,187</u>	<u>\$ 87,526</u>	<u>\$ 110,713</u>

Net assets in the endowment funds consisted of the following at June 30, 2013:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ (2,517)	\$ 7,785	\$ 63,116	\$ 68,384
Contributions	-	-	2,425	2,425
Change in value of beneficial interest in fund held by others	1,175	5,702	-	6,877
Appropriations	-	(703)	-	(703)
Distributions transferred to corpus	-	(1,435)	1,435	-
Ending balance	<u>\$ (1,342)</u>	<u>\$ 11,349</u>	<u>\$ 66,976</u>	<u>\$ 76,983</u>

NOTE 11 – In-kind donations

In-kind revenues consisted of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Advertising	\$ 57,276	\$ 167,571
Printing and reproduction	1,142	1,802
Professional services	-	1,500
Special needs	143,137	129,899
Office furniture	-	9,240
Meals and entertainment	400	782
Special event auction items	51,293	24,872
Repairs and maintenance	3,719	-
Total in-kind expenses	<u>256,967</u>	<u>335,666</u>
Unused auction items included in other assets	8,938	20,555
Unused gift cards included in other assets	(8,145)	-
Total in-kind donations	<u>\$ 257,760</u>	<u>\$ 356,221</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2014 and 2013

NOTE 12 – Operating leases

Youth on Their Own leases office equipment under a noncancelable operating lease expiring in December 2017. Rental expense for this lease totaled \$4,776 and 6,548 for the years ended June 30, 2014 and 2013, respectively. Future minimum payments of under the operating lease are as follows:

Year ending June 30, 2015	\$	3,816
2016		3,816
2017		3,816
2018		1,908
	\$	<u>13,356</u>

NOTE 13 – Subsequent events

Subsequent events have been evaluated through October 15, 2014, which is the date the financial statements were available to be issued.