

YOUTH ON THEIR OWN

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

YOUTH ON THEIR OWN

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Youth On Their Own
Tucson, Arizona

We have audited the accompanying Statements of Financial Position of Youth On Their Own as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows, for the years then ended. These financial statements are the responsibility of the Organization's management. 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 misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth On Their Own at June 30, 2009 and 2008, 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.

Reggie Cant + Monroe, L.L.P.

February 2, 2010
Tucson, Arizona

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 359,313	\$ 358,815
Accounts receivable	29,780	68,307
Promises to give, net	2,983	937
Other current assets	13,141	-
Total current assets	405,217	428,059
PROPERTY AND EQUIPMENT, NET	430,018	436,287
Total assets	\$ 835,235	\$ 864,346

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 40,888	\$ 15,403
Accrued expenses	17,419	26,441
Deposits	-	1,000
Current portion of long-term debt	<u>2,934</u>	<u>2,716</u>
Total current liabilities	61,241	45,560
LONG-TERM DEBT, NET OF CURRENT PORTION		
	<u>159,360</u>	<u>162,294</u>
Total liabilities	<u>220,601</u>	<u>207,854</u>
NET ASSETS		
Unrestricted net assets	597,672	637,554
Temporarily restricted net assets	<u>16,962</u>	<u>18,938</u>
Total net assets	<u>614,634</u>	<u>656,492</u>
Total liabilities and net assets	<u><u>\$ 835,235</u></u>	<u><u>\$ 864,346</u></u>

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 331,754	\$ 16,962	\$ 348,716
Contracts from governmental agencies	152,095	-	152,095
Foundation grants	109,175	-	109,175
Donated services	33,047	-	33,047
Donated equipment and supplies	38,254	-	38,254
Interest income	4,542	-	4,542
Miscellaneous	1,963	-	1,963
Special events	105,051	-	105,051
Net assets released from restrictions	18,938	(18,938)	-
	794,819	(1,976)	792,843
EXPENSES			
Program services			
Student stipends	473,913	-	473,913
Student special needs	157,418	-	157,418
	631,331	-	631,331
General and administrative expenses	94,468	-	94,468
Fundraising expenses	108,902	-	108,902
	834,701	-	834,701
Change in net assets	(39,882)	(1,976)	(41,858)
NET ASSETS, BEGINNING OF YEAR	637,554	18,938	656,492
NET ASSETS, END OF YEAR	\$ 597,672	\$ 16,962	\$ 614,634

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 349,964	\$ 18,938	\$ 368,902
Contracts from governmental agencies	173,696	-	173,696
Foundation grants	140,942	-	140,942
Donated services	65,906	-	65,906
Donated equipment and supplies	28,704	-	28,704
Interest income	12,859	-	12,859
Miscellaneous	37,509	-	37,509
Special events	168,969	-	168,969
Net assets related from restrictions	27,187	(27,187)	-
	<u>1,005,736</u>	<u>(8,249)</u>	<u>997,487</u>
EXPENSES			
Program services			
Student stipends	487,281	-	487,281
Student special needs	240,474	-	240,474
	<u>727,755</u>	<u>-</u>	<u>727,755</u>
Total program services	727,755	-	727,755
General and administrative expenses	97,810	-	97,810
Fundraising expenses	148,390	-	148,390
	<u>973,955</u>	<u>-</u>	<u>973,955</u>
Total expenses	973,955	-	973,955
Change in net assets	31,781	(8,249)	23,532
NET ASSETS, BEGINNING OF YEAR	<u>605,773</u>	<u>27,187</u>	<u>632,960</u>
NET ASSETS, END OF YEAR	<u>\$ 637,554</u>	<u>\$ 18,938</u>	<u>\$ 656,492</u>

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2009

	Program Services			Supporting Services		Total
	Student Stipends	Student Special Needs	Total Program Services	General and Administrative	Fundraising Expenses	
Personnel expense						
Salaries and wages	\$ 119,432	\$ 29,994	\$ 149,426	\$ 39,483	\$ 15,111	\$ 204,020
Payroll taxes and benefits	23,930	6,010	29,940	7,911	637	38,488
	<u>143,362</u>	<u>36,004</u>	<u>179,366</u>	<u>47,394</u>	<u>15,748</u>	<u>242,508</u>
Advertising	-	-	-	97	-	97
Bank service charges	918	9	927	2,409	682	4,018
Conferences and meetings	1,393	-	1,393	2,207	779	4,379
Donated services	-	33,047	33,047	-	-	33,047
Donated equipment and supplies	-	38,254	38,254	-	-	38,254
Dues and subscriptions	428	-	428	1,431	322	2,181
Equipment rental	478	4,680	5,158	40	-	5,198
Endowment	-	-	-	-	22,428	22,428
Insurance	216	-	216	6,707	-	6,923
Interest	7,674	1,627	9,301	1,163	1,163	11,627
Maintenance and repairs	4,034	179	4,213	983	263	5,459
Meals and refreshments	1,144	-	1,144	1,532	25	2,701
Miscellaneous	198	-	198	-	-	198
Office supplies	3,987	24	4,011	1,430	716	6,157
Postage and delivery	963	98	1,061	5	91	1,157
Printing and reproduction	-	-	-	21	90	111
Professional	27,445	14	27,459	21,560	1,530	50,549
Public relations	2,573	-	2,573	2,544	16,080	21,197
Scholarships	-	3,700	3,700	-	-	3,700
Special events expenses	-	5,245	5,245	-	46,761	52,006
Student equipment and supplies	14,731	1,633	16,364	-	-	16,364
Student special needs	-	30,406	30,406	-	-	30,406
Stipends	246,929	-	246,929	-	-	246,929
Taxes	4,757	1,008	5,765	721	721	7,207
Telephone	4,173	-	4,173	2,102	270	6,545
Training and education	-	-	-	526	250	776
Utilities	4,749	236	4,985	969	356	6,310
Total expenses before depreciation	<u>470,152</u>	<u>156,164</u>	<u>626,316</u>	<u>93,841</u>	<u>108,275</u>	<u>828,432</u>
Depreciation	<u>3,761</u>	<u>1,254</u>	<u>5,015</u>	<u>627</u>	<u>627</u>	<u>6,269</u>
Total expenses	<u>\$ 473,913</u>	<u>\$ 157,418</u>	<u>\$ 631,331</u>	<u>\$ 94,468</u>	<u>\$ 108,902</u>	<u>\$ 834,701</u>

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008

	Program Services			Supporting Services		Total
	Student Stipends	Student Special Needs	Total Program Services	General and Administrative	Fundraising Expenses	
Personnel expense						
Salaries and wages	\$ 74,794	\$ 42,072	\$ 116,866	\$ 36,934	\$ 45,683	\$ 199,483
Payroll taxes and benefits	11,570	6,508	18,078	5,713	7,067	30,858
	<u>86,364</u>	<u>48,580</u>	<u>134,944</u>	<u>42,647</u>	<u>52,750</u>	<u>230,341</u>
Advertising	-	-	-	-	1,600	1,600
Bank service charges	1,342	16	1,358	2,546	1,816	5,720
Conferences and meetings	-	-	-	795	-	795
Contract labor	14,633	-	14,633	7,443	14,849	36,925
Donated services	-	9,800	9,800	-	-	9,800
Donated equipment and supplies	-	800	800	-	-	800
Dues and subscriptions	419	66	485	2,604	656	3,745
Equipment rental	6,367	693	7,060	1,571	589	9,220
Endowment	-	-	-	-	10,000	10,000
Insurance	5,579	1,225	6,804	4,617	729	12,150
Interest	10,534	793	11,327	1,030	515	12,872
Maintenance and repairs	2,909	178	3,087	8,771	755	12,613
Meals and refreshments	508	-	508	1,756	77	2,341
Miscellaneous	7,226	955	8,181	1,899	720	10,800
Office supplies	1,352	17	1,369	4,352	89	5,810
Postage and delivery	1,350	17	1,367	95	141	1,603
Printing and reproduction	521	-	521	288	67	876
Professional	3,602	-	3,602	13,012	518	17,132
Scholarships	-	12,482	12,482	-	-	12,482
Special events expenses	-	-	-	-	60,364	60,364
Student equipment and supplies	694	-	694	1,356	138	2,188
Student special needs	-	163,011	163,011	-	-	163,011
Stipends	330,842	-	330,842	-	-	330,842
Telephone	3,851	65	3,916	1,379	156	5,451
Training and education	45	-	45	220	640	905
Utilities	5,259	481	5,740	782	574	7,096
	<u>483,397</u>	<u>239,179</u>	<u>722,576</u>	<u>97,163</u>	<u>147,743</u>	<u>967,482</u>
Total expenses before depreciation						
Depreciation	3,884	1,295	5,179	647	647	6,473
	<u>\$ 487,281</u>	<u>\$ 240,474</u>	<u>\$ 727,755</u>	<u>\$ 97,810</u>	<u>\$ 148,390</u>	<u>\$ 973,955</u>

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (41,858)	\$ 23,532
Adjustments to reconcile net assets to net cash used by operating activities:		
Depreciation	6,269	6,473
Net increase (decrease) in operating assets and liabilities:		
Accounts receivable	38,527	(23,925)
Promises to give	(2,046)	1,298
Other current assets	(13,141)	16
Accounts payable	25,485	2,549
Accrued expenses	(9,022)	(26,540)
Deposits	(1,000)	-
	<u>3,214</u>	<u>(16,597)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(2,716)</u>	<u>(2,514)</u>
Net increase (decrease) in cash and cash equivalents	498	(19,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>358,815</u>	<u>377,926</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 359,313</u></u>	<u><u>\$ 358,815</u></u>
SUPPLEMENTAL SCHEDULE		
Cash paid for interest	<u><u>\$ 11,627</u></u>	<u><u>\$ 12,872</u></u>

The Notes to Financial Statements are an integral part of these statements

YOUTH ON THEIR OWN

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Youth On Their Own (the Organization) was incorporated in Arizona in 1989 for the purpose of supporting high school graduation of homeless youth by providing financial assistance, basic needs, and guidance. The Organization provides a monthly stipend for living assistance, provides cash grants to meet special needs, and maintains a basic needs bank of donated items. The Organization's support comes primarily from individual, business, foundation, church and service club contributions, and from various governmental agency grants.

Basis of Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, issued by the Financial Accounting Standards Board (FASB) for presentation of its financial statements. Under SFAS No. 117, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2009 and 2008, the Organization had no permanently restricted assets.

Contributions

All contributions are considered to be available for the general programs of the Organization, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions; however, if all restricted contributions for a specific purpose are received and fulfilled in the same time period, the Organization reports the support as unrestricted.

Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, unless the donor stipulates otherwise.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Goods and Services

Support arising from donated goods and services is recognized in the financial statements at its fair value. Donated services are recognized when the services received:

- (a) create or enhance non-financial assets, or
- (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

Donated equipment and supplies consist of furniture, computer equipment, food, clothing, personal care items, and other supplies donated by the public to be given to the students. Items are recorded at thrift store value as income and expense.

Donated items for special event auctions are recorded in the month in which they are auctioned and fair market value can be determined.

Equity Securities

Contributions of donated securities are recorded at their fair value on the date of donation. During the years ended June 30, 2009 and 2008, the Organization received no contributions of equity securities.

Land, Buildings and Equipment

Expenditures for major improvements or items that benefit future periods are capitalized at cost, if purchased, or at fair market value at date of gift, if donated. Expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2009 was \$6,269 (\$6,473 for 2008). Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains at their estimated net realizable value in the period received and are recognized as assets, decreases of liabilities, or expense, depending on the form of the benefits received. The provision for promises to give is based on management's estimate. Promises to give are periodically reviewed for collectability and written off to the provision at the time of such determination.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function or program are charged to programs and supporting services based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Advertising Costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct response advertising are capitalized and amortized over the estimated useful life. No advertising costs were capitalized at June 30, 2009. Total advertising costs for the year ended June 30, 2009 were \$97 (\$1,600 for 2008).

Income Taxes

The Organization is exempt from income taxes under both federal [Internal Revenue Code Section 501(c)(3)] and Arizona income tax laws, and is classified as other than a private foundation. The Organization is required to pay income taxes on its unrelated net income arising from a lease on property financed by debt. The Organization did not incur any unrelated business taxable net income during the years ended June 30, 2009 and 2008. Accordingly, no provision for federal and state income taxes is made.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of contributions, revenues, gains, and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(continued)

2. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

The Organization places its cash and cash equivalents with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

The Organization grants unsecured credit without interest under contracts to its customers that are primarily governmental agencies in Arizona and other private foundations. Management generally considers accounts over 30 days to be past due. Receivables are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided. Total loss that could be incurred if the parties failed to meet their obligations is the stated value of \$32,763 at June 30, 2009.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 303,878	\$ 303,878
Buildings and improvements	159,098	159,098
Office furniture and equipment	<u>57,918</u>	<u>57,918</u>
Total	520,894	520,894
Less accumulated depreciation	<u>(90,876)</u>	<u>(84,607)</u>
Net property and equipment	<u>\$ 430,018</u>	<u>\$ 436,287</u>

(continued)

4. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Note payable, Horseshoe Management Co., in which a former board member's family has an ownership interest, payable in monthly payments of \$1,284 including interest at 7.75%, collateralized by land and maturing May 2011.	\$ 162,294	\$ 165,010
Less current portion	<u>(2,934)</u>	<u>(2,716)</u>
Long-term debt, net of current portion	<u>\$ 159,360</u>	<u>\$ 162,294</u>

Future debt maturities are as follows:

Year Ended June 30

2010	\$ 2,934
2011	<u>159,360</u>
Total	<u>\$ 162,294</u>

5. CONTINGENCIES

The Organization participates in a number of grant programs and a significant reduction in the level of this support, if it were to occur, could have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. Management has reviewed all costs and does not anticipate any material disallowed costs.

At times, the Organization may sign an agreement to accept responsibility for damages rendered to a student's apartment unit. This is decided on a case-by-case basis. A potential obligation as a result of these agreements cannot be determined and, therefore, no liability has been recorded.

(continued)

6. COMMITMENTS

The Organization has entered into noncancellable operating lease agreements for office equipment expiring at various dates through March 2010. Aggregate monthly rentals were \$436 at June 30, 2009 and 2008. Total rent expense associated with these leases amounted to \$5,198 for the year ended June 30, 2009 (\$9,220 for 2008).

Future minimum lease payments under these lease agreements are as follows:

Year Ended June 30

2010	\$ <u>964</u>
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7. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2009, certain board members donated funds to the Organization totaling \$3,720 (\$6,520 for 2008).

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Coaching program	\$ -	\$ 4,000
Endowment	-	13,578
Holiday party	-	1,360
Teen mothers program	<u>16,962</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 16,962</u>	<u>\$ 18,938</u>

(continued)

9. ALLOCATION OF JOINT COSTS

During the year ended June 30, 2009, the Organization incurred joint costs of \$9,530 for newsletter printing and reproduction. Generally, the newsletter contains fundraising appeals and program related information. Costs are allocated between program services and fundraising based on percentage of content. In 2009, newsletter printing costs of \$2,475 (\$3,250 for 2008) were allocated to program services, and \$7,055 (\$8,375 for 2008) was allocated to fundraising expense.

10. SIGNIFICANT ESTIMATES

The allocations utilized to record the functional allocation of costs represent a significant estimate. Allocations are based upon actual costs incurred plus management's estimates of levels of services for items not directly associated with a specific function.

11. CONCENTRATIONS

At June 30, 2009 and 2008, two agencies comprised approximately 100% of accounts receivable.