YOUTH ON THEIR OWN

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

YOUTH ON THEIR OWN

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Youth On Their Own
Tucson, Arizona

We have audited the accompanying statement of financial position of Youth On Their Own (a non-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Youth On Their Own as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2010 financial statements were compiled by us, and our report thereon, dated February 26, 2011, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Regier Carr & Monroe, L.L.P.

February 16, 2012
Tucson, Arizona

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YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	2011	*Compiled* 2010
CURRENT ASSETS		
Cash and cash equivalents	$ 449,346	$ 293,062
Investments	695	-
Accounts receivable	99,295	10,101
Promises to give, net	8,450	2,293
Other current assets	22,535	10,345
Total current assets	580,321	315,801
PROPERTY AND EQUIPMENT, NET	429,753	423,766
Total assets	$ 1,010,074	$ 739,567

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

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

LIABILITIES AND NET ASSETS

	2011	*Compiled* 2010
CURRENT LIABILITIES		
Accounts payable	$ 9,720	$ 4,526
Accrued expenses	10,627	9,548
Current portion of long-term debt	6,624	159,353
Total current liabilities	26,971	173,427
LONG-TERM DEBT, NET OF CURRENT PORTION	148,776	-
Total liabilities	175,747	173,427
NET ASSETS		
Unrestricted net assets	831,365	554,275
Temporarily restricted net assets	2,962	11,865
Total net assets	834,327	566,140
Total liabilities and net assets	$ 1,010,074	$ 739,567

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, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	$ 459,355	$ -	$ 459,355
Contracts from governmental agencies	80,679	-	80,679
Foundation grants	246,850	-	246,850
Donated services and supplies	177,957	-	177,957
Special events	160,213	-	160,213
Interest income	559	-	559
Miscellaneous	832	-	832
Loss on disposal of assets	(393)	-	(393)
Net assets released from restrictions	8,903	(8,903)	-
Total revenues	1,134,955	(8,903)	1,126,052
EXPENSES			
Program services			
Student stipends	423,443	-	423,443
Student special needs	179,321	-	179,321
Total program services	602,764	-	602,764
General and administrative expenses	129,728	-	129,728
Fundraising expenses	125,373	-	125,373
Total expenses	857,865	-	857,865
Change in net assets	277,090	(8,903)	268,187
NET ASSETS, BEGINNING OF YEAR	554,275	11,865	566,140
NET ASSETS, END OF YEAR	$ 831,365	$ 2,962	$ 834,327

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, 2010

	Compiled Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	$ 375,941	$ -	$ 375,941
Contracts from governmental agencies	88,212	-	88,212
Foundation grants	119,791	-	119,791
Donated services	90,025	-	90,025
Special events	70,016	-	70,016
Interest income	71	-	71
Miscellaneous	671	-	671
Net assets related from restrictions	5,097	(5,097)	-
Total revenues	749,824	(5,097)	744,727
EXPENSES			
Program services			
Student stipends	393,387	-	393,387
Student special needs	179,471	-	179,471
Total program services	572,858	-	572,858
General and administrative expenses	137,727	-	137,727
Fundraising expenses	82,636	-	82,636
Total expenses	793,221	-	793,221
Change in net assets	(43,397)	(5,097)	(48,494)
NET ASSETS, BEGINNING OF YEAR	597,672	16,962	614,634
NET ASSETS, END OF YEAR	$ 554,275	$ 11,865	$ 566,140

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, 2011

	Program Services			Supporting Services		
	Student Stipends	Student Special Needs	Total Program Services	General and Administrative	Fundraising Expenses	Total
Personnel expense						
Salaries and wages	$ 78,000	$ 39,402	$ 117,402	$ 44,988	$ 35,985	$ 198,375
Payroll taxes and benefits	7,497	3,687	11,184	6,014	3,476	20,674
Total personnel expense	85,497	43,089	128,586	51,002	39,461	219,049
Advertising	21,048	-	21,048	5,641	3,450	30,139
Bank service charges	2,300	-	2,300	2,571	-	4,871
Conferences and meetings	272	-	272	1,168	385	1,825
Contract labor	-	-	-	584	-	584
Donated services and supplies	-	113,774	113,774	26,370	37,087	177,231
Dues and subscriptions	-	599	599	1,499	-	2,098
Equipment rental	4,984	-	4,984	235	-	5,219
Insurance	638	-	638	8,792	-	9,430
Interest	11,554	-	11,554	-	-	11,554
Maintenance and repairs	2,704	-	2,704	3,275	-	5,979
Meals and refreshments	739	-	739	174	54	967
Miscellaneous	159	24	183	396	-	579
Office supplies	9,354	-	9,354	2,136	-	11,490
Postage and delivery	2,820	-	2,820	33	13	2,866
Printing and reproduction	-	-	-	133	1,068	1,201
Professional	13,199	-	13,199	13,495	264	26,958
Special events expenses	10,551	399	10,950	541	42,942	54,433
Student special needs	-	19,715	19,715	36	-	19,751
Stipends	245,207	-	245,207	-	-	245,207
Taxes	96	-	96	329	-	425
Telephone	1,197	861	2,058	2,026	-	4,084
Training and education	483	-	483	1,078	600	2,161
Travel	2,960	-	2,960	1,188	49	4,197
Utilities	6,636	860	7,496	810	-	8,306
Total expenses before depreciation	422,398	179,321	601,719	123,512	125,373	850,604
Depreciation	1,045	-	1,045	6,216	-	7.261
Total expenses	$ 423,443	$ 179,321	$ 602.764	$ 129,728	$ 125,373	$ 857,865

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, 2010

Compiled

	Program Services			Supporting Services		
	Student Stipends	Student Special Needs	Total Program Services	General and Administrative	Fundraising Expenses	Total
Personnel expense						
Salaries and wages	$ 75,841	$ 18,960	$ 94,801	$ 46,880	$ 44,080	$ 185,761
Payroll taxes and benefits	7,099	1,775	8,874	14,339	5,410	28,623
Total personnel expense	82,940	20,735	103,675	61,219	49,490	214,384
Bank service charges	1,341	335	1,676	1,427	-	3,103
Conferences and meetings	138	34	172	782	-	954
Contract labor	670	167	837	1,901	-	2,738
Donated services	-	90,025	90,025	-	-	90,025
Dues and subscriptions	189	47	236	387	-	623
Equipment rental	4,829	1,207	6,036	602	-	6,638
Insurance	4,434	1,109	5,543	5,540	-	11,083
Interest	9,646	2,411	12,057	548	215	12,820
Maintenance and repairs	1,706	427	2,133	7,428	-	9,561
Meals and refreshments	807	202	1,009	262	-	1,271
Miscellaneous	953	238	1,191	186	109	1,486
Office supplies	6,095	1,524	7,619	2,245	-	9,864
Postage and delivery	1,103	276	1,379	-	-	1,379
Printing and reproduction	314	79	393	476	-	869
Professional	31,148	7,787	38,935	29,568	-	68,503
Special events expenses	10,785	2,696	13,481	4,718	29,694	47,893
Student equipment and supplies	31	8	39	200	-	239
Student special needs	-	47,794	47,794	5,006	2,503	55,303
Stipends	226,774	-	226,774	4,975	-	231,749
Taxes	18	4	22	-	-	22
Telephone	2,432	608	3,040	2,981	-	6,021
Training and education	112	28	140	84	-	224
Travel	1,956	489	2,445	1,843	-	4,288
Utilities	1,465	366	1,831	4,098	-	5,929
Total expenses before depreciation	389,886	178,596	568,482	136,476	82,011	786,969
Depreciation	3,501	875	4,376	1,251	625	6,252
Total expenses	$ 393,387	$ 179,471	$ 572,858	$ 137,727	$ 82,636	$ 793,221

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, 2011 and 2010

	2011	*Compiled* 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 268,187	$ (48,494)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Depreciation	7,261	6,252
Loss on disposal of assets	393	-
Net increase (decrease) in operating assets and liabilities:		
Investments	(695)	-
Accounts receivable	(89,194)	19,679
Promises to give	(6,157)	690
Other current assets	(12,190)	2,796
Accounts payable	5,194	(36,362)
Accrued expenses	1,079	(7,871)
Net cash provided (used) by operating activities	173,878	(63,310)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(13,641)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(3,953)	(2,941)
Net increase (decrease) in cash and cash equivalents	156,284	(66,251)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	293,062	359,313
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 449,346	$ 293,062
SUPPLEMENTAL SCHEDULE		
Cash paid for interest	$ 11,554	$ 12,820

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

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

Following generally accepted accounting principles, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. At June 30, 2011 and 2010, there were no permanently restricted net 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 restriction; 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 provided 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 year ended June 30, 2011, the Organization received $732 in donated equity securities. All unrealized gains and losses for the year are reflected in the period determinable and are presented in miscellaneous income. No such contributions were received during the year ended June 30, 2010.

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 the 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, 2011 was $7,261 ($6,252 for 2010). 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 during fiscal years ending 2011 and 2010. Advertising costs for the year ended June 30, 2011 were $30,139 (none for 2010).

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 did not incur any unrelated business taxable net income during the years ended June 30, 2011 and 2010. Accordingly, no provision for federal and state income taxes is made.

The Organization believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, have not recorded any reserves or related accruals for interest and penalties at June 30, 2011 for uncertain income tax positions. Income tax related interest and penalties, if any, are reported in general and administrative expenses when incurred. The accompanying financial statements do not include any interest or penalties related to income taxes. No income tax examinations are currently underway or anticipated. The statute of limitations is three years for federal income tax purposes and four years for the State of Arizona.

(continued)

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

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 and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of contributions, revenues, gains, and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

The Organization places its cash and cash equivalents with high credit quality institutions. At times, the Organization may maintain balances 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 based on past experienced with grantors and historical knowledge of the collectability of donation receivables; therefore, no allowance for doubtful accounts has been provided. Uncollectible receivables are charged against bad debt expense when management determines that a receivable is no longer collectible. Total loss that could be incurred if the parties failed to meet their obligations is the stated value of $107,745 at June 30, 2011, which includes pledges receivable due within one year totaling $8,450.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2011	2010
Land	$ 303,878	$ 303,878
Buildings and improvements	165,909	159,098
Office furniture and equipment	29,858	57,918
Total	499,645	520,894
Less accumulated depreciation	(69,892)	(97,128)
Net property and equipment	$ 429,753	$ 423,766

(continued)

4. LONG-TERM DEBT

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

	2011	2010
Note payable – Horseshoe Management Co., in which a former board member's family has an ownership interest; payable in monthly payments of $1,333 including interest at 6.15%; collateralized by land and maturing May 2014.	$ 155,400	$ 159,353
Less current portion	(6,624)	(159,353)
Long-term debt, net of current portion	$ 148,776	$ -

The note payable was extended upon its original maturity in May 2011. The revised agreement included a decrease in the annual interest rate from 7.75%.

Future debt maturities are as follows:

Year Ended June 30	
2012	$ 6,624
2013	7,043
2014	141,733
Total	$ 155,400

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. TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Teen mothers program	$ 2,962	$ 11,865

7. COMMITMENTS

The Organization has entered into noncancellable operating lease agreements for office equipment expiring at various dates through August 2014. Aggregate monthly rentals were $340 at June 30, 2011 and $436 at June 30, 2010. Total rent expense associated with these leases amounted to $5,219 for the year ended June 30, 2011 ($5,198 for 2010).

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

Year Ended June 30	
2012	$ 4,080
2013	2,825
2014	732
2015	92
Total	$ 7,729

8. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2011, certain board members donated funds to the Organization totaling $8,479 ($6,935 for 2010).

As noted in Note 4, long-term debt was incurred with a related party.

9. 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.

Management's estimate of fair value of operating assets is also a significant estimate.

(continued)

10. CONCENTRATIONS

At June 30, 2011, three agencies/donors comprised approximately 92% of accounts receivable. One agency comprised 83% of accounts receivable at June 30, 2010.

11. PROPERTY

The Organization purchased real estate in 2006 that was not originally intended to be used in operations but as a buffer for planned construction by the city which would have eliminated required parking and property then in use. The property has since been utilized in operations and is reported at historical cost under generally accepted accounting principles. Under generally accepted accounting principles for assets to be held and used, an impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows. Management has determined that the property is an integral part of operating assets and no provision for impairment loss is required.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2012, the date the financial statements were available to be issued.