
YOUTH ON THEIR OWN

AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2013 and 2012

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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, 2013 and 2012, 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.

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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, 2013 and 2012, 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 10, 2013

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 950,916	\$ 723,977
Investments	72,569	770
Grants receivable	25,927	22,094
Unconditional promises to give	4,275	14,100
Prepaid expenses and other assets	31,705	9,170
Property and equipment	642,080	430,044
Beneficial interest in funds held by others	75,684	66,835
	<u>\$ 1,803,156</u>	<u>\$ 1,266,990</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 22,648	\$ 3,792
Accrued expenses	19,742	9,495
Note payable	390,544	148,776
	<u>432,934</u>	<u>162,063</u>
 Net assets:		
Unrestricted:		
Expended for property and equipment	251,536	281,268
Available for operations	874,382	735,696
	<u>1,125,918</u>	<u>1,016,964</u>
Temporarily restricted	177,328	24,847
Permanently restricted	66,976	63,116
	<u>1,370,222</u>	<u>1,104,927</u>
	<u>\$ 1,803,156</u>	<u>\$ 1,266,990</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 \$51,245	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	27,046	(27,046)		0
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	1,227,814			1,227,814
Administration	110,612			110,612
Fundraising	394,035			394,035
Total expenses	<u>1,732,461</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>0</u>	<u>1,849,687</u>
Change in net assets	108,954	153,916	2,425	265,295
Transfers		(1,435)	1,435	0
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 ACTIVITIES
Year ended June 30, 2012

	<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	\$ 415,588	\$ 7,285	\$ 2,750	\$ 425,623
Government grants	114,301			114,301
Foundation grants	301,540			301,540
In-kind donations	239,613			239,613
Special events, net of direct donor benefit costs of \$90,926	178,625	16,700		195,325
Student events	16,889			16,889
Investment income (loss)	755	(221)		534
Other income	2,512			2,512
	<u>1,269,823</u>	<u>23,764</u>	<u>2,750</u>	<u>1,296,337</u>
Releases from restrictions	14,916	(14,916)		0
Total revenues	<u>1,284,739</u>	<u>8,848</u>	<u>2,750</u>	<u>1,296,337</u>
Expenses and losses:				
Expenses:				
Program services	784,081			784,081
Administration	147,708			147,708
Fundraising	159,429			159,429
Total expenses	<u>1,091,218</u>			<u>1,091,218</u>
Bad debt loss		5,220		5,220
Total expenses and losses	<u>1,091,218</u>	<u>5,220</u>	<u>0</u>	<u>1,096,438</u>
Change in net assets	193,521	3,628	2,750	199,899
Transfers		(119)	119	0
Net assets, beginning of year	<u>823,443</u>	<u>21,338</u>	<u>60,247</u>	<u>905,028</u>
Net assets, end of year	<u>\$ 1,016,964</u>	<u>\$ 24,847</u>	<u>\$ 63,116</u>	<u>\$ 1,104,927</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	\$ 305,326	\$ 37,105	\$ 65,267	\$ 407,698
Payroll taxes and benefits	38,790	6,592	7,311	52,693
	<u>344,116</u>	<u>43,697</u>	<u>72,578</u>	<u>460,391</u>
Advertising	237		31,380	31,617
Bank service charges	8,739	380		9,119
Conferences and meetings	962	1,826	1,000	3,788
Depreciation	14,342	448	307	15,097
Direct donor benefit costs			51,245	51,245
Dues and subscriptions	182	1,991	2,789	4,962
Equipment rental	6,448	82	803	7,333
In-kind expenses	100,484	9,239	225,943	335,666
Insurance	5,359	11,175	210	16,744
Interest	7,605	6,233		13,838
Meals and entertainment	1,734	2,642	350	4,726
Miscellaneous	1,199	1,296	441	2,936
Postage and delivery	2,531	725	8,658	11,914
Printing and reproduction	4,808	362	14,832	20,002
Professional services	40,822	14,464	7,636	62,922
Repairs and maintenance	9,419	7,679	195	17,293
Stipends	562,119			562,119
Student events	6,641		688	7,329
Student special needs	61,902		13,695	75,597
Supplies	19,739	6,623	7,885	34,247
Telephone	13,298	645	687	14,630
Training and education	395	433	1,011	1,839
Travel	6,606	478	2,685	9,769
Utilities	8,127	194	262	8,583
Total functional expenses	<u>1,227,814</u>	<u>110,612</u>	<u>445,280</u>	<u>1,783,706</u>
Less direct donor benefit costs netted against special events revenue			(51,245)	(51,245)
Total expenses	<u>\$ 1,227,814</u>	<u>\$ 110,612</u>	<u>\$ 394,035</u>	<u>\$ 1,732,461</u>

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

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2012

	<u>Program services</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 165,051	\$ 59,604	\$ 29,892	\$ 254,547
Payroll taxes and benefits	15,550	7,484	2,878	25,912
	<u>180,601</u>	<u>67,088</u>	<u>32,770</u>	<u>280,459</u>
Advertising	6,004		11,264	17,268
Bank service charges	6,362	240		6,602
Conferences and meetings	125	1,132	286	1,543
Depreciation	3,687	1,331	668	5,686
Direct donor benefit costs			90,926	90,926
Dues and subscriptions		2,582	125	2,707
Equipment rental	5,047			5,047
In-kind expenses	119,806	39,830	79,977	239,613
Insurance	9,838	1,774	611	12,223
Interest	7,966	937	469	9,372
Meals and entertainment	429	247	69	745
Miscellaneous	2,344	1,019	585	3,948
Postage and delivery	2,488	1,649	3,292	7,429
Printing and reproduction	841	1,171	19,861	21,873
Professional services	15,589	18,163	1,505	35,257
Repairs and maintenance	7,562	889	445	8,896
Stipends	327,583			327,583
Student events	3,276			3,276
Student special needs	58,403			58,403
Supplies	12,423	6,417	5,869	24,709
Telephone	4,371	99	165	4,635
Training and education	200	648	233	1,081
Travel	2,272	1,685	831	4,788
Utilities	6,864	807	404	8,075
Total functional expenses	<u>784,081</u>	<u>147,708</u>	<u>250,355</u>	<u>1,182,144</u>
Less direct donor benefit costs netted against special events revenue			<u>(90,926)</u>	<u>(90,926)</u>
Total expenses	<u>\$ 784,081</u>	<u>\$ 147,708</u>	<u>\$ 159,429</u>	<u>\$ 1,091,218</u>

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

YOUTH ON THEIR OWN
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 265,295	\$ 199,899
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	15,097	5,686
Unrealized (gains)	(2,245)	(75)
Realized losses	179	0
Donated securities	(87,920)	0
Change in value of beneficial interest in funds held by others	(6,877)	881
Loss on disposal of property	110,886	0
Bad debt loss	6,340	5,220
(Increase) decrease in operating assets:		
Grants receivable	(3,833)	77,201
Unconditional promises to give	3,485	(10,870)
Prepaid expenses and other assets	(22,535)	13,365
Increase (decrease) in operating liabilities:		
Accounts payable	18,856	(5,928)
Accrued expenses	10,247	(1,132)
Less contributions for long-term purposes	(2,425)	(2,750)
Net cash provided by operating activities	<u>304,550</u>	<u>281,497</u>
Cash flows from investing activities:		
Reinvestment of dividends	(50)	0
Sales of investments	18,237	0
Additions to beneficial interest in funds held by others	(4,111)	(2,500)
Distributions from beneficial interest in funds held by others	2,139	1,801
Purchases of property and equipment	(248,410)	(2,293)
Proceeds from sale of property	165,083	0
Net cash (used in) investing activities	<u>(67,112)</u>	<u>(2,992)</u>
Cash flows from financing activities:		
Principal repayments on note payable	(12,924)	(6,624)
Contributions for long-term purposes	2,425	2,750
Net cash (used in) financing activities	<u>(10,499)</u>	<u>(3,874)</u>
Change in cash and cash equivalents	226,939	274,631
Cash and cash equivalents, beginning of year	<u>723,977</u>	<u>449,346</u>
Cash and cash equivalents, end of year	<u>\$ 950,916</u>	<u>\$ 723,977</u>

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

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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. Uninsured cash totaled \$110,549 at June 30, 2013.

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.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2013 and 2012

NOTE 2 – Summary of significant accounting policies - continued

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 for equipment with a useful life of more than one year.

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).

In accordance with generally accepted accounting principles, YOTO holds no uncertain tax positions and, therefore, has no policy for evaluating them. YOTO's Form 990, *Return of Organization Exempt from Income Taxes*, and Arizona Form 99, *Arizona Exempt Organization Annual Information Return*, are generally subject to examination by the IRS for three years and the Arizona Department of Revenue for four years, respectively, after the date the returns were filed.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2013 and 2012

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, 2013 and 2012, YOTO had the following cash activity and non-cash investing and financing activity:

	<u>2013</u>	<u>2012</u>
Supplementary cash flows information:		
Cash paid for interest	\$ <u>13,838</u>	\$ <u>9,372</u>
Non-cash investing and financing activity:		
Land and building acquired	\$ 599,614	\$ 0
Less note payable	(400,000)	0
Cash paid for land and building	\$ <u>199,614</u>	\$ <u>0</u>
Gross proceeds from sale of land and building	\$ 310,391	\$ 0
Less retirement of debt	(145,308)	0
Cash proceeds	\$ <u>165,083</u>	\$ <u>0</u>

There was no cash paid for income taxes in either 2013 or 2012.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
 June 30, 2013 and 2012

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, 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 funds held by others		\$ 75,684	75,684
	<u>\$ 72,569</u>	<u>\$ 75,684</u>	<u>\$ 148,253</u>

Fair values of assets measured on a recurring basis at June 30, 2012 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity securities	\$ 770		\$ 770
Beneficial interest in funds held by others		\$ 66,835	66,835
	<u>\$ 770</u>	<u>\$ 66,835</u>	<u>\$ 67,605</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2013 and 2012

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 year ended June 30, 2013:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Investment income</u>	<u>Appropri- ations</u>	<u>Ending balance</u>
Beneficial interest in funds held by others	\$ 66,835	\$ 4,111	\$ 6,877	\$ (2,139)	\$ 75,684

Activity in assets measured on a recurring basis using Level 3 inputs consisted of the following for the year ended June 30, 2012:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Investment (losses)</u>	<u>Appropri- ations</u>	<u>Ending balance</u>
Beneficial interest in funds held by others	\$ 67,017	\$ 2,500	\$ (881)	\$ (1,801)	\$ 66,835

Investment income for the years ended June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 4,483	\$ 1,340
Change in value of beneficial interest in funds held by others	6,877	(881)
Unrealized gains	2,245	75
Realized (losses)	(179)	0
Investment fees	(60)	0
Total investment income	<u>\$ 13,366</u>	<u>\$ 534</u>

NOTE 5 - Unconditional promises to give

Unconditional promises to give of \$4,275 and \$14,100 at June 30, 2013 and 2012, 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, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 121,000	\$ 303,878
Buildings	510,399	165,909
Furniture and equipment	49,162	32,151
	<u>680,561</u>	<u>501,938</u>
Less accumulated depreciation	(38,481)	(71,894)
Total property and equipment	<u>\$ 642,080</u>	<u>\$ 430,044</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2013 and 2012

NOTE 7 - Note payable

YOTO had the following notes payable at June 30, 2013 and 2012:

Note holder	Monthly payment*	Interest rate	Maturity date	Collateral	2013	2012
Bank	\$ 3,053	4.40%	Nov 2022	Real property	\$ 390,544	\$ 0
Private**	\$ 1,333	6.15%	May 2014	Real property	0	148,776
					<u>\$ 390,544</u>	<u>\$ 148,776</u>

* Including principal and interest.

** Held by the family of a former board member.

Future minimum payments are as follows:

Year ending June 30, 2014	\$ 19,853
2015	20,744
2016	21,675
2017	22,648
2018	23,665
Thereafter	281,959
	<u>\$ 390,544</u>

NOTE 8 - Temporarily restricted net assets

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

	Beginning balance	Additions	Investment income	Releases/appropriations	Transfers	Bad debt loss	Ending balance
Teen mothers	\$ 2,962						\$ 2,962
Gift cards	0	\$ 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>

Temporarily restricted net asset activity was as follows during the year ended June 30, 2012:

	Beginning balance	Additions	Investment (losses)	Releases/appropriations	Transfers	Bad debt loss	Ending balance
Teen mothers	\$ 2,962						\$ 2,962
Restricted for future periods	8,450	\$ 23,985		\$ (13,115)		\$ (5,220)	14,100
Accumulated endowment earnings	9,926		\$ (221)	(1,801)	\$ (119)		7,785
	<u>\$ 21,338</u>	<u>\$ 23,985</u>	<u>\$ (221)</u>	<u>\$ (14,916)</u>	<u>\$ (119)</u>	<u>\$ (5,220)</u>	<u>\$ 24,847</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2013 and 2012

NOTE 9 – Permanently restricted net assets

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

Earnings temporarily restricted by law until appropriated by Board of Directors:	Beginning balance	Additions	Transfers	Ending balance
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>

Permanently restricted net assets consisted of the following at June 30, 2012:

Earnings temporarily restricted by law until appropriated by Board of Directors:	Beginning balance	Additions	Transfers	Ending balance
Fischmann endowment	\$ 20,298			\$ 20,298
Redding endowments	39,949	\$ 2,750	\$ 119	42,818
	<u>\$ 60,247</u>	<u>\$ 2,750</u>	<u>\$ 119</u>	<u>\$ 63,116</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, 2013 and 2012 were \$1,341 and \$2,516, 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, 2013 and 2012

NOTE 10 – Endowments - continued

Endowment fund net assets

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

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ (2,516)	\$ 7,785	\$ 63,116	\$ 68,385
Contributions			2,425	2,425
Change in value of beneficial interest in funds held by others	1,175	5,702		6,877
Appropriations		(703)		(703)
Distributions transferred to corpus		(1,435)	1,435	0
Ending balance	<u>\$ (1,341)</u>	<u>\$ 11,349</u>	<u>\$ 66,976</u>	<u>\$ 76,984</u>

Net assets in the endowment funds consisted of the following at June 30, 2012:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ (1,856)	\$ 9,926	\$ 60,247	\$ 68,317
Contributions			2,750	2,750
Change in value of beneficial interest in funds held by others	(660)	(221)		(881)
Appropriations		(1,801)		(1,801)
Distributions transferred to corpus		(119)	119	0
Ending balance	<u>\$ (2,516)</u>	<u>\$ 7,785</u>	<u>\$ 63,116</u>	<u>\$ 68,385</u>

NOTE 11 – In-kind donations

In-kind revenues consisted of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Advertising	\$ 167,571	\$ 79,552
Printing and reproduction	1,802	3,368
Professional services	1,500	33,835
Special needs	129,899	109,794
Office furniture	9,240	0
Meals and entertainment	782	0
Special event auction items	24,872	0
Repairs and maintenance	0	4,321
Supplies	0	8,743
Total in-kind expenses	<u>335,666</u>	<u>239,613</u>
Unsold auction items included in other assets	20,555	0
Total in-kind donations	<u>\$ 356,221</u>	<u>\$ 239,613</u>

YOUTH ON THEIR OWN
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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 \$6,548 and 5,047 for the years ended June 30, 2013 and 2012, respectively. Future minimum payments of under the operating lease are as follows:

Year ending June 30, 2014	\$	3,816
2015		3,816
2016		3,816
2017		3,816
2018		1,908
	\$	<u>17,172</u>

NOTE 13 - Subsequent events

Subsequent events have been evaluated through October 10, 2013, which is the date the financial statements were available to be issued.