

YOUTH ON THEIR OWN

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

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Certified Public Accountants

Gerald H. Beal, CPA
Randall L. Brookshier, CPA
Marianne E. DeVries, CPA
Michael J. DeVries, CPA
Coleen A. Krogen, CPA
John P. Lauer, CPA

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 (an Arizona nonprofit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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.

September 01, 2015

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 230,971	\$ 162,206
Investments	782,408	948,031
Grants receivable and other receivables	14,979	140
Unconditional promises to give	-	2,250
Prepaid expenses and other assets	24,392	30,889
Property and equipment	640,175	622,153
Earnest money deposit on real property	28,500	-
Beneficial interest in funds held by others	<u>110,515</u>	<u>108,864</u>
	<u>\$ 1,831,940</u>	<u>\$ 1,874,533</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 14,986	\$ 35,434
Accrued expenses	43,315	32,921
Note payable	<u>155,030</u>	<u>218,131</u>
	213,331	286,486
Net assets:		
Unrestricted:		
Expended for property and equipment	485,145	404,022
Available for operations	<u>889,542</u>	<u>999,249</u>
	1,374,687	1,403,271
Temporarily restricted	154,596	97,250
Permanently restricted	<u>89,326</u>	<u>87,526</u>
	<u>1,618,609</u>	<u>1,588,047</u>
	<u>\$ 1,831,940</u>	<u>\$ 1,874,533</u>

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Totals
Public support and revenues:				
Contributions	\$ 901,055	\$ 77,088	\$ 1,800	\$ 979,943
Government grants	172,750	-	-	172,750
Foundation grants	465,633	100,360	-	565,993
In-kind donations	358,772	-	-	358,772
Special events, net of direct donor benefit costs of \$51,056	245,428	24,553	-	269,981
Investment income	17,361	198	-	17,559
Other income	736	-	-	736
	<u>2,161,735</u>	<u>202,199</u>	<u>1,800</u>	<u>2,365,734</u>
Releases from restrictions	<u>144,628</u>	<u>(144,628)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,306,363</u>	<u>57,571</u>	<u>1,800</u>	<u>2,365,734</u>
Expenses and losses:				
Expenses:				
Program services	1,827,670	-	-	1,827,670
Administration	80,559	-	-	80,559
Fundraising	426,718	-	-	426,718
Total expenses	<u>2,334,947</u>	<u>-</u>	<u>-</u>	<u>2,334,947</u>
Bad debt loss	<u>-</u>	<u>225</u>	<u>-</u>	<u>225</u>
Total expenses and losses	<u>2,334,947</u>	<u>225</u>	<u>-</u>	<u>2,335,172</u>
Change in net assets	(28,584)	57,346	1,800	30,562
Net assets, beginning of year	<u>1,403,271</u>	<u>97,250</u>	<u>87,526</u>	<u>1,588,047</u>
Net assets, end of year	<u>\$ 1,374,687</u>	<u>\$ 154,596</u>	<u>\$ 89,326</u>	<u>\$ 1,618,609</u>

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Totals
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	265,529	(265,529)	-	-
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>

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program services	Adminis- tration	Fundraising	Total
Salaries and wages	\$ 401,419	\$ 51,210	\$ 152,156	\$ 604,785
Payroll taxes and benefits	82,421	7,424	25,176	115,021
	<u>483,840</u>	<u>58,634</u>	<u>177,332</u>	<u>719,806</u>
Advertising	27,958	1,045	37,231	66,234
Bank service charges	10,421	779	1,905	13,105
Conferences and meetings	684	140	5,958	6,782
Depreciation	23,630	1,252	2,503	27,385
Direct donor benefit costs	-	-	51,056	51,056
Donor-related expenses	260	453	8,389	9,102
Dues and subscriptions	30,241	841	8,192	39,274
Equipment rental	5,686	334	682	6,702
In-kind expenses	274,460	4,211	92,930	371,601
Insurance	11,313	2,093	1,330	14,736
Interest	7,252	426	853	8,531
Investment fees	-	8,123	-	8,123
Meals and entertainment	1,758	1,005	822	3,585
Miscellaneous	17,970	135	1,142	19,247
Postage and delivery	2,966	175	3,473	6,614
Printing and reproduction	2,011	118	28,180	30,309
Professional services	119,420	3,600	28,322	151,342
Repairs and maintenance	6,330	362	746	7,438
Stipends	642,056	-	-	642,056
Student events	1,421	-	597	2,018
Student special needs	77,467	-	534	78,001
Supplies	33,916	2,343	9,008	45,267
Telephone	13,475	777	2,356	16,608
Training and education	11,840	533	4,704	17,077
Travel	11,668	737	8,396	20,801
Utilities	9,627	566	1,133	11,326
Total functional expenses	<u>1,827,670</u>	<u>88,682</u>	<u>477,774</u>	<u>2,394,126</u>
Less expenses netted against revenues:				
Investment fees	-	(8,123)	-	(8,123)
Direct donor benefit costs	-	-	(51,056)	(51,056)
Total expenses	<u>\$ 1,827,670</u>	<u>\$ 80,559</u>	<u>\$ 426,718</u>	<u>\$ 2,334,947</u>

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	-	6,695	-	6,695
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>1,516,732</u>	<u>65,279</u>	<u>439,948</u>	<u>2,021,959</u>
Less expenses netted against revenues:				
Investment fees	-	(6,695)	-	(6,695)
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>

YOUTH ON THEIR OWN
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,562	\$ 217,825
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	27,385	22,627
Unrealized (gains) losses	11,435	(58,251)
Realized (gains) losses	5,076	(4,919)
Donated securities	(10,106)	(24,850)
Change in value of beneficial interest in funds held by others	(198)	(13,900)
Bad debt loss	225	140
(Increase) decrease in operating assets:		
Grants receivable and other receivables	(14,839)	25,787
Unconditional promises to give	2,025	1,885
Prepaid expenses and other assets	6,497	816
Increase (decrease) in operating liabilities:		
Accounts payable	(20,448)	12,786
Accrued expenses	10,394	13,179
Proceeds from sale of donated securities	10,000	25,162
Less contributions for long-term purposes	<u>(36,800)</u>	<u>(95,550)</u>
Net cash provided by operating activities	21,208	122,737
Cash flows from investing activities:		
Purchases of investments	(31,031)	(923,222)
Sales of investments	180,249	110,618
Additions to beneficial interest in funds held by others	(2,200)	(20,000)
Distributions from beneficial interest in funds held by others	747	720
Earnest money deposit on real property	(28,500)	-
Purchases of property and equipment	<u>(45,407)</u>	<u>(2,700)</u>
Net cash provided by (used in) investing activities	73,858	(834,584)
Cash flows from financing activities:		
Principal repayments on note payable	(63,101)	(172,413)
Contributions for long-term purposes	<u>36,800</u>	<u>95,550</u>
Net cash (used in) financing activities	<u>(26,301)</u>	<u>(76,863)</u>
Change in cash and cash equivalents	68,765	(788,710)
Cash and cash equivalents, beginning of year	<u>162,206</u>	<u>950,916</u>
Cash and cash equivalents, end of year	<u>\$ 230,971</u>	<u>\$ 162,206</u>

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

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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.

Kids in need – Program activities include providing one-time shopping trips for school clothes to kids in kindergarten through fifth grades.

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, 2015.

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, 2015 AND 2014

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 of \$2,500 or more 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).

YOUTH ON THEIR OWN
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 JUNE 30, 2015 AND 2014

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.

New accounting pronouncement

In October 2012, the Financial Accounting Standards Board issued Accounting Standards Update 2012-05, Statement of Cash Flows (Topic 230): Not for Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (ASU 2012-05). ASU 2012-05 stipulates that proceeds from the sale of donated financial assets should be classified within operating activities, financing activities or investing activities, depending on the intentions and actions of YOTO and/or donor imposed restrictions. This standard was effective for YOTO's fiscal year 2015 and 2014 financial statements. Adoption of this standard did not have a material impact on these financial statements.

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

During the years ended June 30, 2015 and 2014, YOTO had the following cash activity and non-cash financing activity:

	2015	2014
Supplementary cash flows information:		
Cash paid for interest	\$ 8,531	\$ 14,220

There was no cash paid for income taxes in either 2015 or 2014.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

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 YOTO’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, 2015 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities - mutual funds:			
Domestic equity funds	\$ 296,678	\$ -	\$ 296,678
International equity funds	106,805	-	106,805
Bond funds	292,857	-	292,857
Commodity funds	46,610	-	46,610
Real estate investment trusts	39,458	-	39,458
Beneficial interest in fund held by others	-	110,515	110,515
	<u>\$ 782,408</u>	<u>\$ 110,515</u>	<u>\$ 892,923</u>

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>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beneficial interest in fund held by others:		
Fair value at the beginning of the year	\$ 108,864	\$ 75,684
Change in value	198	13,900
Additions	2,200	20,000
Distributions	(747)	(720)
Fair value at the end of the year	<u>\$ 110,515</u>	<u>\$ 108,864</u>

Investment income for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 41,995	\$ 25,732
Unrealized gains	(11,435)	58,251
Realized gains (losses)	(5,076)	4,919
Change in value of beneficial interest in fund held by others	198	13,900
Fees	(8,123)	(6,695)
	<u>\$ 17,559</u>	<u>\$ 96,107</u>

NOTE 5 – Note payable

YOTO had the following note payable at June 30, 2015 and 2014:

<u>Note holder</u>	<u>Monthly payment</u>	<u>Interest rate</u>	<u>Maturity date*</u>	<u>Collateral</u>	<u>2015</u>	<u>2014</u>
Bank	\$ 3,053	4.40%	Nov 2022	Real property	\$ 155,030	\$ 218,131

* Original maturity. Actual maturity differs due to prepayments

Future minimum payments are as follows:

Year ending June 30, 2016	\$ 30,525
2017	31,791
2018	33,218
2019	34,709
2020	24,787
	<u>\$ 155,030</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

NOTE 6 - Conditional promise to give

In February 2014 Kids In Need (KIN), a separate 501(c)(3) under common Board governance, elected to suspend their operations and provide donations to YOTO to carry out their program. The KIN Board also committed that if YOTO is successful in carrying out the program in-line with their mission, after three years they will transfer their entire endowment fund to YOTO. Management estimates the endowment corpus to approximate \$40,000.

NOTE 7 – Property and equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 121,000	\$ 121,000
Buildings	515,705	513,099
Furniture and equipment	<u>68,416</u>	<u>25,615</u>
	705,121	659,714
Less accumulated depreciation	<u>(64,946)</u>	<u>(37,561)</u>
	<u>\$ 640,175</u>	<u>\$ 622,153</u>

NOTE 8 – Permanently restricted net assets

Permanently restricted net assets consisted of the following at June 30, 2015:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Total</u>
Earnings temporarily restricted until appropriated by Board of Directors:				
Fischmann endowment	\$ 20,298	\$ -	\$ -	\$ 20,298
Redding endowments	<u>67,228</u>	<u>1,800</u>	<u>-</u>	<u>69,028</u>
	<u>\$ 87,526</u>	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ 89,326</u>

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 until appropriated by Board of Directors:				
Fischmann endowment	\$ 20,298	\$ -	\$ -	\$ 20,298
Redding endowments	<u>46,678</u>	<u>20,550</u>	<u>-</u>	<u>67,228</u>
	<u>\$ 66,976</u>	<u>\$ 20,550</u>	<u>\$ -</u>	<u>\$ 87,526</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

NOTE 9 – Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended June 30, 2015:

	Beginning balance	Contributions	Investment income	Releases/ appropriations	Bad debt loss	Ending balance
Purchase of gift cards	\$ 10,854	\$ 5,370	\$ -	\$ (7,700)	\$ -	\$ 8,524
Scholarships	5,097	11,180	-	(3,594)	-	12,683
Kids in Need	-	33,338	-	(15,956)	-	17,382
Emergency needs	-	50,580	-	(22,911)	-	27,669
Mini mall purchases	42,536	29,253	-	(27,604)	-	44,185
Student advocate and program salaries	10,000	53,780	-	(63,780)	-	-
Graduation	225	-	-	(225)	-	-
Visual Arts for students	-	2,500	-	-	-	2,500
After-school workshops	3,101	-	-	(86)	-	3,015
Restricted for future periods	2,250	16,000	-	(2,025)	(225)	16,000
Accumulated endowment earnings	23,187	-	198	(747)	-	22,638
	<u>\$ 97,250</u>	<u>\$ 202,001</u>	<u>\$ 198</u>	<u>\$ (144,628)</u>	<u>\$ (225)</u>	<u>\$ 154,596</u>

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>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

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. There were no deficiencies of this nature at June 30, 2015 and 2014, 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 9 for endowment-related activities in temporarily restricted net assets, and Note 8 for endowment-related activities in permanently restricted net assets.

Endowment fund net assets

Net assets in the endowment funds consisted of the following at June 30, 2015:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ -	\$ 23,187	\$ 87,526	\$ 110,713
Contributions	-	-	1,800	1,800
Change in value of beneficial interest in funds held by others	-	198	-	198
Appropriations	-	(747)	-	(747)
Ending balance	<u>\$ -</u>	<u>\$ 22,638</u>	<u>\$ 89,326</u>	<u>\$ 111,964</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

NOTE 10 – Endowments, continued

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 fund 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>

NOTE 11 – In-kind donations

In-kind revenues consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Advertising	\$ 30,147	\$ 57,276
Printing and reproduction	2,025	1,142
Professional services	1,300	-
Students special needs	260,198	143,137
Special event auction items	69,429	51,293
Stipends	2,250	-
Repairs and maintenance	1,430	3,719
Meals and entertainment	4,822	400
Total in-kind expenses	<u>371,601</u>	<u>256,967</u>
Change in unused auction items included in other assets	(6,695)	8,938
Change in unused gift cards included in other assets	(6,134)	(8,145)
Total in-kind donations	<u>\$ 358,772</u>	<u>\$ 257,760</u>

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 \$4,951 and 4,776 for the years ended June 30, 2015 and 2014, respectively. Future minimum payments of under the operating lease are as follows:

Year ending June 30, 2016	\$ 3,816
2016	3,816
2017	1,908
	<u>\$ 9,540</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015 AND 2014

NOTE 13 – Subsequent events

In July 2015 YOTO closed on the purchase of a commercial building with a purchase price of \$285,626, paid for with cash as well as carryback financing from the seller in the amount of \$135,000 at 5% interest over five years. The building is located next door to YOTO's main office and will be the site of a new resale home thrift store that will sell donated home goods. Proceeds from the thrift store will benefit YOTO's programs. As of June 30, 2015 a deposit of \$28,500 is reported as earnest money deposit on real property.

Subsequent events have been evaluated through September 1, 2015, which is the date the financial statements were available to be issued.