

YOUTH ON THEIR OWN

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

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Certified Public Accountants

Gerald H. Beal, CPA
Marianne E. DeVries, CPA
Michael J. DeVries, CPA
Jacquie Ivey, CPA
Coleen A. Krogen, CPA
John P. Lauer, CPA
Laura Randol, CPA, CFE

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, 2016 and 2015, 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, 2016 and 2015, 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.

January 25, 2017

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 379,054	\$ 230,971
Investments	582,541	782,408
Grants and other receivables	35,085	14,979
Bequest receivable	93,652	-
Prepaid expenses and other assets	19,857	24,392
Home Store inventory	20,708	-
Property and equipment	916,267	640,175
Earnest money deposit on real property	-	28,500
Beneficial interest in funds held by others	107,289	110,515
	\$ 2,154,453	\$ 1,831,940
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 20,505	\$ 14,986
Accrued expenses	42,569	43,315
Notes payable	194,543	155,030
	257,617	213,331
Net assets:		
Unrestricted:		
Expended for property and equipment	721,724	485,145
Available for operations	845,977	889,542
	1,567,701	1,374,687
Temporarily restricted	233,884	154,596
Permanently restricted	95,251	89,326
	1,896,836	1,618,609
	\$ 2,154,453	\$ 1,831,940

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

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<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	\$ 1,176,684	\$ 67,100	\$ 5,925	\$ 1,249,709
Government grants	182,000	-	-	182,000
Foundation grants	529,808	154,379	-	684,187
In-kind donations	271,574	-	-	271,574
Special events, net of direct donor benefit costs of \$69,546	182,263	-	-	182,263
Investment (losses)	(23,228)	(3,360)	-	(26,588)
Rental income	5,871	-	-	5,871
Home store sales	40,214	-	-	40,214
Other income	2,989	-	-	2,989
	<u>2,368,175</u>	<u>218,119</u>	<u>5,925</u>	<u>2,592,219</u>
Releases from restrictions	138,831	(138,831)	-	-
Total public support and revenues	<u>2,507,006</u>	<u>79,288</u>	<u>5,925</u>	<u>2,592,219</u>
Expenses:				
Program services	1,792,795	-	-	1,792,795
Administration	97,185	-	-	97,185
Fundraising	424,012	-	-	424,012
Total expenses	<u>2,313,992</u>	<u>-</u>	<u>-</u>	<u>2,313,992</u>
Change in net assets	193,014	79,288	5,925	278,227
Net assets, beginning of year	<u>1,374,687</u>	<u>154,596</u>	<u>89,326</u>	<u>1,618,609</u>
Net assets, end of year	<u>\$ 1,567,701</u>	<u>\$ 233,884</u>	<u>\$ 95,251</u>	<u>\$ 1,896,836</u>

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

	<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	\$ 901,255	\$ 101,641	\$ 1,800	\$ 1,004,696
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	245,228	-	-	245,228
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	144,628	(144,628)	-	-
Total public support and 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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program services					
	YOTO program	Home Store	Total programs	Adminis- tration	Fundraising	Total
Salaries and wages	\$ 440,978	\$ 34,570	\$ 475,548	\$ 58,677	\$ 163,545	\$ 697,770
Payroll taxes and benefits	89,646	5,510	95,156	13,963	33,411	142,530
	<u>530,624</u>	<u>40,080</u>	<u>570,704</u>	<u>72,640</u>	<u>196,956</u>	<u>840,300</u>
Advertising	20,674	4,857	25,531	1,329	48,933	75,793
Bank service charges	10,156	775	10,931	1,254	1,844	14,029
Conferences and meetings	662	150	812	-	3,673	4,485
Depreciation	27,234	6,994	34,228	1,562	3,123	38,913
Direct donor benefit costs	-	-	-	-	69,546	69,546
Donor-related expenses	980	19	999	300	3,656	4,955
Dues and subscriptions	36,927	696	37,623	919	11,234	49,776
Equipment rental	4,380	-	4,380	258	515	5,153
In-kind expenses	139,715	15,134	154,849	446	93,617	248,912
Insurance	12,477	168	12,645	975	1,468	15,088
Interest	4,685	6,205	10,890	276	551	11,717
Investment fees	-	-	-	6,478	-	6,478
Meals and entertainment	2,411	16	2,427	332	947	3,706
Miscellaneous	556	3,536	4,092	165	78	4,335
Postage and delivery	14,614	94	14,708	429	664	15,801
Printing and reproduction	1,627	56	1,683	141	32,783	34,607
Professional services	52,541	624	53,165	8,915	12,771	74,851
Repairs and maintenance	3,305	4,227	7,532	270	349	8,151
Stipends	681,576	-	681,576	-	-	681,576
Student events	696	-	696	5	47	748
Student special needs	89,875	-	89,875	-	-	89,875
Supplies	17,191	6,549	23,740	4,689	2,154	30,583
Telephone	12,355	1,573	13,928	688	1,854	16,470
Training and education	2,211	-	2,211	159	456	2,826
Travel	15,911	29	15,940	773	5,018	21,731
Utilities	11,192	6,438	17,630	660	1,321	19,611
Total functional expenses	<u>1,694,575</u>	<u>98,220</u>	<u>1,792,795</u>	<u>103,663</u>	<u>493,558</u>	<u>2,390,016</u>
Less expenses netted against revenues:						
Investment fees	-	-	-	(6,478)	-	(6,478)
Direct donor benefit costs	-	-	-	-	(69,546)	(69,546)
Total expenses	<u>\$ 1,694,575</u>	<u>\$ 98,220</u>	<u>\$ 1,792,795</u>	<u>\$ 97,185</u>	<u>\$ 424,012</u>	<u>\$ 2,313,992</u>

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

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

	Program services - YOTO program	Adminis- tration	Fundraising	Total
Salaries and wages	\$ 401,419	\$ 51,210	\$ 152,156	\$ 604,785
Payroll taxes and benefits	<u>82,421</u>	<u>7,424</u>	<u>25,176</u>	<u>115,021</u>
	483,840	58,634	177,332	719,806
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	1,761	135	1,142	3,038
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	93,676	-	534	94,210
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	<u>9,627</u>	<u>566</u>	<u>1,133</u>	<u>11,326</u>
Total functional expenses	1,827,670	88,682	477,774	2,394,126
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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 278,227	\$ 30,562
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	38,913	27,385
Unrealized losses	34,904	11,435
Realized losses	16,580	5,076
Donated securities	(19,238)	(10,106)
Change in value of beneficial interest in funds held by others	3,907	(198)
Change in Home Store inventory	(20,708)	-
Bad debt loss	-	225
(Increase) decrease in operating assets:		
Grants and other receivables	(20,106)	(14,839)
Bequest receivable	(93,652)	-
Unconditional promises to give	-	2,025
Prepaid expenses and other assets	4,535	6,497
Increase (decrease) in operating liabilities:		
Accounts payable	5,519	(20,448)
Accrued expenses	(746)	10,394
Proceeds from sale of donated securities	19,247	10,000
Less contributions for long-term purposes	(45,925)	(36,800)
Net cash provided by operating activities	<u>201,457</u>	<u>21,208</u>
Cash flows from investing activities:		
Purchases of investments	(335,113)	(31,031)
Sales of investments	483,487	180,249
Additions to beneficial interest in funds held by others	(1,450)	(2,200)
Distributions from beneficial interest in funds held by others	769	747
Earnest money deposit on real property	28,500	(28,500)
Purchases of property and equipment	<u>(180,005)</u>	<u>(45,407)</u>
Net cash provided by (used in) investing activities	(3,812)	73,858
Cash flows from financing activities:		
Principal repayments on note payable	(95,487)	(63,101)
Contributions for long-term purposes	<u>45,925</u>	<u>36,800</u>
Net cash (used in) financing activities	<u>(49,562)</u>	<u>(26,301)</u>
Change in cash and cash equivalents	148,083	68,765
Cash and cash equivalents, beginning of year	<u>230,971</u>	<u>162,206</u>
Cash and cash equivalents, end of year	<u>\$ 379,054</u>	<u>\$ 230,971</u>

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

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 programs are as follows:

YOTO Program – The YOTO Program consists of the 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.

Home Store Program – The Resale Home Store Internship Program (Home Store) provides participating YOTO students with interview preparation, retail curriculum, hands-on job experience and the opportunity to learn soft skills needed to gain and hold meaningful employment.

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 \$18,793 in uninsured cash at June 30, 2016.

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.

Advertising

Advertising costs are expensed as incurred.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016 AND 2015

NOTE 2 – Summary of significant accounting policies, continued

Receivables

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

Property and equipment

Purchased property and equipment is carried at cost. Donated property and 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.

Contributions and 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 satisfied) 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 statements of activities. 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, 2016 AND 2015

NOTE 2 – Summary of significant accounting policies, continued

Endowments

YOTO’s 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.

Home Store inventory

Home Store inventory consists of donated goods for sale in the Home Store, recorded at fair market value based on the thrift store selling price.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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

During the years ended June 30, 2016 and 2015, YOTO had the following cash activity and non-cash investing and financing activity:

	2016	2015
Supplementary cash flows information:		
Cash paid for interest	\$ 11,717	\$ 8,531
Acquisition of property and equipment in exchange for note payable	\$ 135,000	\$ -

There was no cash paid for income taxes in either 2016 or 2015.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016 AND 2015

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 values 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 inputs that are observable, 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 YOTO 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, 2016 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities - mutual funds:			
Domestic equity funds	\$ 238,833	\$ -	\$ 238,833
International equity funds	94,623	-	94,623
Bond funds	185,700	-	185,700
Commodity funds	32,779	-	32,779
Real estate investment trusts	30,606	-	30,606
Beneficial interest in funds held by others	-	107,289	107,289
	<u>\$ 582,541</u>	<u>\$ 107,289</u>	<u>\$ 689,830</u>

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 funds held by others	-	110,515	110,515
	<u>\$ 782,408</u>	<u>\$ 110,515</u>	<u>\$ 892,923</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016 AND 2015

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beneficial interest in funds held by others:		
Fair value at the beginning of the year	\$ 110,515	\$ 108,864
Change in value	(3,907)	198
Additions	1,450	2,200
Appropriations	<u>(769)</u>	<u>(747)</u>
Fair value at the end of the year	<u>\$ 107,289</u>	<u>\$ 110,515</u>

Investment income (losses) for the years ended June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 35,281	\$ 41,995
Unrealized (losses)	(34,904)	(11,435)
Realized (losses)	(16,580)	(5,076)
Change in value of beneficial interest in funds held by others	(3,907)	198
Fees	<u>(6,478)</u>	<u>(8,123)</u>
	<u>\$ (26,588)</u>	<u>\$ 17,559</u>

NOTE 5 – Notes payable

YOTO had the following notes payable at June 30, 2016 and 2015:

<u>Note holder</u>	<u>Monthly payment</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Collateral</u>	<u>2016</u>	<u>2015</u>
Bank	\$ 3,053	4.40%	* Nov 2022	Real property	\$ 83,909	\$ 155,030
Bank	\$ 2,548	5.00%	July 2020	Real property	<u>110,634</u>	<u>-</u>
					<u>\$ 194,543</u>	<u>\$ 155,030</u>

* Original maturity date. Actual maturity date differs due to prepayments

Future minimum payments are as follows:

Year ending June 30, 2017	\$ 57,051
2018	61,944
2019	43,367
2020	29,636
2021	<u>2,545</u>
	<u>\$ 194,543</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016 AND 2015

NOTE 6 – Conditional promise to give

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

NOTE 7 – Property and equipment

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	\$ 205,000	\$ 121,000
Buildings	746,711	515,705
Furniture and equipment	68,415	68,416
	1,020,126	705,121
Less accumulated depreciation	(103,859)	(64,946)
	\$ 916,267	\$ 640,175

NOTE 8 – Permanently restricted net assets

Permanently restricted net assets consisted of the following at June 30, 2016:

	Beginning balance	Additions	Total
Earnings temporarily restricted until appropriated by Board of Directors:			
Fischmann endowment	\$ 20,298	\$ -	\$ 20,298
Redding endowments	69,028	5,925	74,953
	\$ 89,326	\$ 5,925	\$ 95,251

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

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

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NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016 AND 2015

NOTE 9 – Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended June 30, 2016:

	Beginning balance	Contributions	Investment (losses)	Releases/ appropriations	Bad debt loss	Ending balance
Purchase of gift cards	\$ 8,524	\$ 2,927	\$ -	\$ (11,451)	\$ -	\$ -
Scholarships	12,683	4,000	-	(5,236)	-	11,447
Kids in Need	17,382	18,562	-	(21,730)	-	14,214
Emergency needs	27,669	40,779	-	(14,459)	-	53,989
Mini mall purchases	44,185	39,611	-	(18,617)	-	65,179
Stipend funds	-	33,000	-	-	-	33,000
Visual Arts for students	2,500	-	-	-	-	2,500
After-school workshops	3,015	-	-	-	-	3,015
Home store intern	-	37,000	-	(18,103)	-	18,897
Student center computers	-	10,000	-	(8,342)	-	1,658
AmeriCorps salaries	-	12,000	-	(10,510)	-	1,490
JAG program support	-	8,000	-	(3,528)	-	4,472
Holiday appeal	-	15,600	-	(10,855)	-	4,745
Restricted for future periods	16,000	-	-	(16,000)	-	-
Accumulated endowment earnings	22,638	-	(3,360)	-	-	19,278
	<u>\$ 154,596</u>	<u>\$ 221,479</u>	<u>\$ (3,360)</u>	<u>\$ (138,831)</u>	<u>\$ -</u>	<u>\$ 233,884</u>

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>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
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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 YOTO to retain as a fund of perpetual duration. Deficiencies of this nature were \$1,316 and \$0 at June 30, 2016 and 2015, respectively.

Return objectives and risk parameters

YOTO has no formally adopted investment policies for the endowment assets. Endowment assets include those assets of donor-restricted funds that YOTO 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, YOTO 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). YOTO 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

YOTO 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, 2016:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ -	\$ 22,638	\$ 89,326	\$ 111,964
Contributions	-	-	-	-
Change in value of beneficial interest in funds held by others	(547)	(3,360)	-	(3,907)
Appropriations	(769)	-	-	(769)
Ending balance	<u>\$ (1,316)</u>	<u>\$ 19,278</u>	<u>\$ 89,326</u>	<u>\$ 107,288</u>

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
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NOTE 11 – In-kind donations

In-kind revenues consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Advertising	\$ 3,913	\$ 30,147
Supplies	102,820	69,429
Printing and reproduction	-	2,025
Professional services	-	1,300
Student special needs	139,471	260,198
Stipends	1,915	2,250
Repairs and maintenance	20	1,430
Meals and entertainment	773	4,822
Total in-kind expenses	<u>248,912</u>	<u>371,601</u>
Change in unused auction items included in other assets	12,383	(6,695)
Change in unused gift cards included in other assets	(10,429)	(6,134)
Change in home store inventory	20,708	-
Total in-kind donations	<u>\$ 271,574</u>	<u>\$ 358,772</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 \$4,253 and \$4,951 for the years ended June 30, 2016 and 2015, respectively. Future minimum payments of under the operating lease are as follows:

Year ending June 30, 2017	\$ 3,816
2018	<u>1,908</u>
	<u>\$ 5,724</u>

NOTE 13 – Subsequent events

Subsequent events have been evaluated through January 25, 2017, which is the date the financial statements were available to be issued.