

YOUTH ON THEIR OWN

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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YEARS ENDED JUNE 30, 2018 AND 2017

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Certified Public Accountants

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, 2018 and 2017, 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 from 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, 2018 and 2017, 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.

November 28, 2018

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 1,149,667	\$ 977,106
Investments	1,746,149	1,090,465
Grants and other receivables	71,300	59,000
Bequests receivable	17,726	72,262
Prepaid expenses and other assets	24,820	19,742
Home Store inventory	-	17,945
Property and equipment	873,368	896,908
Beneficial interest in funds held by others	137,119	119,283
	\$ 4,020,149	\$ 3,252,711

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 67,516	\$ 51,687
Accrued expenses	62,803	59,009
Notes payable	-	84,358
	130,319	195,054
 Net assets:		
Unrestricted:		
Expended for property and equipment	873,368	812,550
Available for operations	2,668,710	1,734,072
	3,542,078	2,546,622
Temporarily restricted	246,501	414,784
Permanently restricted	101,251	96,251
	3,889,830	3,057,657
	\$ 4,020,149	\$ 3,252,711

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<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	\$ 1,691,154	\$ 164,034	\$ 5,000	\$ 1,860,188
Government grants	-	198,560	-	198,560
Foundation grants	351,557	391,045	-	742,602
In-kind donations	151,134	9,396	-	160,530
Special events, net of direct donor benefit costs of \$23,976	238,923	2,000	-	240,923
Investment income	97,912	6,861	-	104,773
Home Store sales	49,309	-	-	49,309
Other income	5,518	-	-	5,518
	<u>2,585,507</u>	<u>771,896</u>	<u>5,000</u>	<u>3,362,403</u>
Releases from restrictions	940,179	(940,179)	-	-
Total public support and revenues	<u>3,525,686</u>	<u>(168,283)</u>	<u>5,000</u>	<u>3,362,403</u>
Expenses and losses:				
Expenses:				
Program services:				
YOTO program	1,877,417	-	-	1,877,417
Home Store	126,429	-	-	126,429
	<u>2,003,846</u>	<u>-</u>	<u>-</u>	<u>2,003,846</u>
Administration	147,964	-	-	147,964
Fundraising	347,804	-	-	347,804
Total expenses	<u>2,499,614</u>	<u>-</u>	<u>-</u>	<u>2,499,614</u>
Loss on fixed asset disposal	12,671	-	-	12,671
Loss on disposal of Home Store inventory	17,945	-	-	17,945
Total expenses and losses	<u>2,530,230</u>	<u>-</u>	<u>-</u>	<u>2,530,230</u>
Change in net assets	995,456	(168,283)	5,000	832,173
Net assets, beginning of year	<u>2,546,622</u>	<u>414,784</u>	<u>96,251</u>	<u>3,057,657</u>
Net assets, end of year	<u>\$ 3,542,078</u>	<u>\$ 246,501</u>	<u>\$ 101,251</u>	<u>\$ 3,889,830</u>

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<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	\$ 1,387,773	\$ 265,202	\$ 1,000	\$ 1,653,975
Government grants	188,500	-	-	188,500
Foundation grants	592,382	441,212	-	1,033,594
In-kind donations	248,125	-	-	248,125
Special events, net of direct donor benefit costs of \$19,001	219,504	2,500	-	222,004
Investment income	72,955	10,503	-	83,458
Rental income	1,000	-	-	1,000
Home Store sales	46,863	-	-	46,863
Other income	1,036	-	-	1,036
	<u>2,758,138</u>	<u>719,417</u>	<u>1,000</u>	<u>3,478,555</u>
Releases from restrictions	538,517	(538,517)	-	-
Total public support and revenues	<u>3,296,655</u>	<u>180,900</u>	<u>1,000</u>	<u>3,478,555</u>
Expenses:				
Program services:				
YOTO program	1,745,791	-	-	1,745,791
Home Store	134,281	-	-	134,281
Total program services	<u>1,880,072</u>	<u>-</u>	<u>-</u>	<u>1,880,072</u>
Administration	120,259	-	-	120,259
Fundraising	317,403	-	-	317,403
Total expenses	<u>2,317,734</u>	<u>-</u>	<u>-</u>	<u>2,317,734</u>
Change in net assets	978,921	180,900	1,000	1,160,821
Net assets, beginning of year	<u>1,567,701</u>	<u>233,884</u>	<u>95,251</u>	<u>1,896,836</u>
Net assets, end of year	<u>\$ 2,546,622</u>	<u>\$ 414,784</u>	<u>\$ 96,251</u>	<u>\$ 3,057,657</u>

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program services			Adminis- tration	Fundraising	Total
	YOTO program	Home Store	Total programs			
Salaries and wages	\$ 460,928	\$ 73,010	\$ 533,938	\$ 76,569	\$ 156,867	\$ 767,374
Payroll taxes and benefits	92,748	15,356	108,104	22,318	27,055	157,477
	<u>553,676</u>	<u>88,366</u>	<u>642,042</u>	<u>98,887</u>	<u>183,922</u>	<u>924,851</u>
Advertising	8,410	2,773	11,183	1,007	19,837	32,027
Bank service charges	32	2,030	2,062	1,931	25,695	29,688
Conferences and meetings	1,392	-	1,392	878	1,822	4,092
Depreciation	28,900	7,829	36,729	1,703	3,232	41,664
Direct donor benefit costs	-	-	-	23,976	-	23,976
Donor related expenses	-	-	-	10	748	758
Dues and subscriptions	34,507	385	34,892	1,310	10,317	46,519
Equipment rental	9,830	817	10,647	973	1,556	13,176
Fraudulent transaction expense	-	-	-	9,571	-	9,571
In-kind expenses	145,133	-	145,133	-	11,913	157,046
Insurance	7,623	1,017	8,640	517	1,017	10,174
Interest	-	1,873	1,873	-	-	1,873
Investment fees	-	-	-	10,847	-	10,847
Meals and entertainment	4,805	306	5,111	2,193	851	8,155
Miscellaneous	2,134	402	2,536	297	1,536	4,369
Postage and delivery	837	274	1,111	304	8,920	10,335
Printing and reproduction	8,004	288	8,292	222	32,359	40,873
Professional services	103,250	9,763	113,013	15,483	30,178	158,674
Repairs and maintenance	19,020	2,346	21,366	2,063	1,418	24,847
Stipends	667,638	-	667,638	-	-	667,638
Scholarships and other assistance	58,507	-	58,507	-	-	58,507
Student events	10,761	17	10,778	-	1,034	11,812
Student special needs	151,802	-	151,802	-	-	151,802
Supplies	21,745	1,959	23,704	5,038	2,685	31,427
Telephone	12,001	1,909	13,910	1,345	3,007	18,262
Training and education	3,642	61	3,703	2,826	1,409	7,938
Travel	15,863	83	15,946	473	2,252	18,671
Utilities	7,905	3,931	11,836	933	2,096	14,865
Total functional expenses	<u>1,877,417</u>	<u>126,429</u>	<u>2,003,846</u>	<u>182,787</u>	<u>347,804</u>	<u>2,534,437</u>
Less expenses netted against revenues:						
Investment fees	-	-	-	(10,847)	-	(10,847)
Direct donor benefit costs	-	-	-	(23,976)	-	(23,976)
Total expenses	<u>\$ 1,877,417</u>	<u>\$ 126,429</u>	<u>\$ 2,003,846</u>	<u>\$ 147,964</u>	<u>\$ 347,804</u>	<u>\$ 2,499,614</u>

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program services			Adminis- tration	Fundraising	Total
	YOTO program	Home Store	Total programs			
Salaries and wages	\$ 394,008	\$ 79,015	\$ 473,023	\$ 74,823	\$ 139,942	\$ 687,788
Payroll taxes and benefits	99,281	15,793	115,074	11,550	27,284	153,908
	493,289	94,808	588,097	86,373	167,226	841,696
Advertising	19,698	730	20,428	661	20,633	41,722
Bank service charges	456	1,729	2,185	3,165	15,616	20,966
Conferences and meetings	895	-	895	172	884	1,951
Depreciation	26,463	7,076	33,539	1,047	3,113	37,699
Direct donor benefit costs	-	-	-	-	19,001	19,001
Dues and subscriptions	36,729	1,265	37,994	3,296	7,564	48,854
Equipment rental	4,153	278	4,431	283	500	5,214
In-kind expenses	209,171	-	209,171	-	43,049	252,220
Insurance	6,177	797	6,974	463	824	8,261
Interest	1,251	4,577	5,828	74	147	6,049
Investment fees	-	-	-	7,068	-	7,068
Meals and entertainment	1,788	179	1,967	2,210	510	4,687
Miscellaneous	1,096	122	1,218	2,185	-	3,403
Postage and delivery	6,041	475	6,516	437	3,334	10,287
Printing and reproduction	8,155	1,709	9,864	1,111	28,737	39,712
Professional services	67,126	3,337	70,463	7,230	9,969	87,662
Repairs and maintenance	6,759	5,441	12,200	338	640	13,178
Stipends	642,141	-	642,141	-	-	642,141
Scholarships and other assistance	43,200	-	43,200	-	-	43,200
Student events	681	-	681	-	-	681
Student special needs	105,657	-	105,657	-	-	105,657
Supplies	28,313	3,887	32,200	5,122	3,843	41,165
Telephone	12,127	1,597	13,724	1,577	2,547	17,848
Training and education	7,629	10	7,639	3,561	5,153	16,353
Travel	8,844	104	8,948	803	2,236	11,987
Utilities	7,952	6,160	14,112	151	878	15,141
Total functional expenses	1,745,791	134,281	1,880,072	127,327	336,404	2,343,803
Less expenses netted against revenues:						
Investment fees	-	-	-	(7,068)	-	(7,068)
Direct donor benefit costs	-	-	-	-	(19,001)	(19,001)
Total expenses	\$ 1,745,791	\$ 134,281	\$ 1,880,072	\$ 120,259	\$ 317,403	\$ 2,317,734

YOUTH ON THEIR OWN
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 832,173	\$ 1,160,821
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	41,664	37,699
Unrealized (gains)	(60,336)	(45,396)
Realized losses (gains)	5,921	(4,018)
Donated securities	(27,231)	(16,095)
Change in value of beneficial interest in funds held by others	(6,911)	(11,769)
Loss on disposal of Home Store inventory	17,945	2,763
(Increase) decrease in operating assets:		
Grants and other receivables	(12,300)	(23,915)
Bequests receivable	54,536	21,390
Prepaid expenses and other assets	(5,078)	115
Increase (decrease) in operating liabilities:		
Accounts payable	15,829	31,182
Accrued expenses	3,794	16,440
Proceeds from sale of donated securities	26,861	16,001
Less contributions for long-term purposes	(40,000)	(41,000)
Net cash provided by operating activities	<u>846,867</u>	<u>1,144,218</u>
Cash flows from investing activities:		
Purchases of investments	(1,233,759)	(555,689)
Sales of investments	632,859	97,273
Additions to beneficial interest in funds held by others	(10,925)	(1,000)
Distributions from beneficial interest in funds held by others	-	775
Loss on disposal of property and equipment	12,671	-
Purchases of property and equipment	(30,794)	(18,340)
Net cash (used in) investing activities	<u>(629,948)</u>	<u>(476,981)</u>
Cash flows from financing activities:		
Principal repayments on note payable	(84,358)	(110,185)
Contributions for long-term purposes	40,000	41,000
Net cash (used in) financing activities	<u>(44,358)</u>	<u>(69,185)</u>
Change in cash and cash equivalents	172,561	598,052
Cash and cash equivalents, beginning of year	<u>977,106</u>	<u>379,054</u>
Cash and cash equivalents, end of year	<u>\$ 1,149,667</u>	<u>\$ 977,106</u>

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

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

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. The Home Store was closed in May 2018, although the related property and equipment was retained for use in operations.

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 \$557,623 in uninsured cash at June 30, 2018.

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.

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.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

NOTE 2 – Summary of significant accounting policies, continued

Advertising

Advertising costs are expensed as incurred.

Receivables

Grants and other receivables and bequests receivable 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 \$5,000 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.

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, 2018 AND 2017

NOTE 2 – Summary of significant accounting policies, continued

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. During the fiscal year ended June 30, 2018, YOTO discontinued the Home Store Program.

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 Management of Charitable Funds Act (MCFA) (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.

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, 2018 and 2017, YOTO had the following cash activity and non-cash investing and financing activity:

	2018	2017
Supplementary cash flows information:		
Cash paid for interest	\$ 1,873	\$ 6,049

There was no cash paid for income taxes in either 2018 or 2017.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

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, 2018 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities - mutual funds:			
Domestic equity funds	\$ 697,134	\$ -	\$ 697,134
International equity funds	318,511	-	318,511
Bond funds	622,436	-	622,436
Commodity funds	53,344	-	53,344
Alternative funds	54,724	-	54,724
Beneficial interest in funds held by others	-	137,119	137,119
	<u>\$ 1,746,149</u>	<u>\$ 137,119</u>	<u>\$ 1,883,268</u>

Fair values of assets measured on a recurring basis at June 30, 2017 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities - mutual funds:			
Domestic equity funds	\$ 438,606	\$ -	\$ 438,606
International equity funds	146,002	-	146,002
Bond funds	404,943	-	404,943
Commodity funds	34,122	-	34,122
Alternative funds	33,705	-	33,705
Real estate investment trusts	33,087	-	33,087
Beneficial interest in funds held by others	-	119,283	119,283
	<u>\$ 1,090,465</u>	<u>\$ 119,283</u>	<u>\$ 1,209,748</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beneficial interest in funds held by others:		
Fair value at the beginning of the year	\$ 119,283	\$ 107,289
Change in value	6,911	11,769
Additions	10,925	1,000
Appropriations	-	(775)
Fair value at the end of the year	<u>\$ 137,119</u>	<u>\$ 119,283</u>

Investment income for the years ended June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 54,294	\$ 29,343
Unrealized gains	60,336	45,396
Realized (losses) gains	(5,921)	4,018
Change in value of beneficial interest in funds held by others	6,911	11,769
Investment fees	(10,847)	(7,068)
	<u>\$ 104,773</u>	<u>\$ 83,458</u>

NOTE 5 – Notes payable

YOTO had the following notes payable at June 30, 2018 and 2017:

Note holder	Monthly payment	Interest rate	Maturity date	Collateral	<u>2018</u>	<u>2017</u>
Bank	\$ 2,548	5.00%	July 2020	Real property	<u>\$ -</u>	<u>\$ 84,358</u>

NOTE 6 – Property and equipment

Property and equipment at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 205,000	\$ 205,000
Buildings	779,258	758,603
Furniture and equipment	32,832	74,863
	<u>1,017,090</u>	<u>1,038,466</u>
Less accumulated depreciation	(143,722)	(141,558)
	<u>\$ 873,368</u>	<u>\$ 896,908</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

NOTE 7 – Permanently restricted net assets

Permanently restricted net assets consisted of the following at June 30, 2018:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Total</u>
Earnings temporarily restricted until appropriated by Board of Directors:			
Fischmann endowment	\$ 20,298	\$ 5,000	\$ 25,298
Redding endowments	<u>75,953</u>	<u>-</u>	<u>75,953</u>
	<u>\$ 96,251</u>	<u>\$ 5,000</u>	<u>\$ 101,251</u>

Permanently restricted net assets consisted of the following at June 30, 2017:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Total</u>
Earnings temporarily restricted until appropriated by Board of Directors:			
Fischmann endowment	\$ 20,298	\$ -	\$ 20,298
Redding endowments	<u>74,953</u>	<u>1,000</u>	<u>75,953</u>
	<u>\$ 95,251</u>	<u>\$ 1,000</u>	<u>\$ 96,251</u>

NOTE 8 – Operating leases

Youth on Their Own leases office equipment under various noncancelable operating leases expiring through June 2023. Rental expense for this lease totaled \$6,483 and \$4,131 for the years ended June 30, 2018 and 2017, respectively. Future minimum payments of under the operating leases as are follows:

Year ending June 30, 2019	\$ 7,032
2020	7,032
2021	4,387
2022	684
2023	<u>627</u>
	<u>\$ 19,762</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

NOTE 9 – Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended June 30, 2018:

	Beginning balance	Contributions	Investment income	Releases/ appropriations	Ending balance
Scholarships	\$ 47,013	\$ 13,333	\$ -	\$ (12,310)	\$ 48,036
Scholarship books	-	16,674	-	(2,845)	13,829
Special needs	43,913	60,350	-	(98,264)	5,999
Mini-mall/Back to School	102,065	104,611	-	(161,165)	45,511
Student living expenses	16,500	344,634	-	(350,634)	10,500
Dorm kits	-	900	-	(427)	473
Visual Arts for students	2,500	-	-	-	2,500
After-school workshops	2,661	-	-	(169)	2,492
Home store interns	41,617	-	-	(25,556)	16,061
Youth Action Committee	-	12,033	-	(2,933)	9,100
AmeriCorps salaries	-	9,000	-	(9,000)	-
Patio garden	1,000	-	-	(1,000)	-
Workforce readiness	46,009	54,000	-	(100,009)	-
Program coordinator	25,000	137,500	-	(128,367)	34,133
Restricted for future periods	57,500	12,000	-	(47,500)	22,000
Accumulated endowment earnings	29,006	-	6,861	-	35,867
	<u>\$ 414,784</u>	<u>\$ 765,035</u>	<u>\$ 6,861</u>	<u>\$ (940,179)</u>	<u>\$ 246,501</u>

Temporarily restricted net asset activity was as follows during the year ended June 30, 2017:

	Beginning balance	Contributions	Investment income	Releases/ appropriations	Ending balance
Scholarships	\$ 11,447	\$ 38,000	\$ -	\$ (2,434)	\$ 47,013
Kids in Need	14,214	-	-	(14,214)	-
Special needs	53,989	29,185	-	(39,261)	43,913
Mini mall purchases	65,179	120,992	-	(84,106)	102,065
Student living expenses	33,000	292,875	-	(309,375)	16,500
Visual Arts for students	2,500	-	-	-	2,500
After-school workshops	3,015	-	-	(354)	2,661
Home store interns	18,897	51,862	-	(29,142)	41,617
Student center computers	1,658	-	-	(1,658)	-
AmeriCorp salaries	1,490	5,000	-	(6,490)	-
JAG program support	4,472	-	-	(4,472)	-
Holiday appeal	4,745	-	-	(4,745)	-
Patio garden	-	1,000	-	-	1,000
Workforce readiness	-	87,500	-	(41,491)	46,009
Program coordinator	-	25,000	-	-	25,000
Restricted for future periods	-	57,500	-	-	57,500
Accumulated endowment earnings	19,278	-	10,503	(775)	29,006
	<u>\$ 233,884</u>	<u>\$ 708,914</u>	<u>\$ 10,503</u>	<u>\$ (538,517)</u>	<u>\$ 414,784</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

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 \$0 and \$50 at June 30, 2018 and 2017, 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 7 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, 2018:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ (50)	\$ 29,006	\$ 96,251	\$ 125,207
Contributions	-	-	5,000	5,000
Change in value of beneficial interest in funds held by others	50	6,861	-	6,911
Ending balance	<u>\$ -</u>	<u>\$ 35,867</u>	<u>\$ 101,251</u>	<u>\$ 137,118</u>

Net assets in the endowment funds consisted of the following at June 30, 2017:

	Unrestricted (deficiency)	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ (1,316)	\$ 19,278	\$ 95,251	\$ 113,213
Contributions	-	-	1,000	1,000
Change in value of beneficial interest in funds held by others	1,266	10,503	-	11,769
Appropriations	-	(775)	-	(775)
Ending balance	<u>\$ (50)</u>	<u>\$ 29,006</u>	<u>\$ 96,251</u>	<u>\$ 125,207</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018 AND 2017

NOTE 11 – In-kind donations

In-kind revenues consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Advertising	\$ -	\$ 23,400
Special events	11,913	19,649
Back to School/Mini-Mall	114,269	175,335
Student special needs	<u>30,864</u>	<u>33,836</u>
Total in-kind expenses	157,046	252,220
Change in unused auction items included in other assets	-	(12,384)
Change in unused gift cards included in other assets	3,484	11,051
Change in home store inventory	-	(2,762)
Total in-kind donations	<u>\$ 160,530</u>	<u>\$ 248,125</u>

NOTE 12 – Pension plan

YOTO participates in a defined compensation 401(k) pension plan for all eligible employees. Employees who have been employed by YOTO for three months and are at least 21 years of age are eligible to participate. Retirement expense totaled \$20,023 and \$13,796 for the years ended June 30, 2018 and 2017.

NOTE 13 – Fraudulent transactions

During the year ended June 30, 2018, the account and routing numbers for one of YOTO’s bank accounts was used to generate counterfeit checks, and numerous fraudulent checks were written on the account during the year. The account was immediately closed when the activity was detected in the subsequent month during the bank reconciliation process. YOTO was unable to determine the source of this activity and therefore no charges could be filed.

NOTE 14 – Subsequent events

Subsequent events have been evaluated through November 28, 2018, which is the date the financial statements were available to be issued.