

**YOUTH ON THEIR OWN**

**AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

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**YEAR ENDED JUNE 30, 2019**

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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 statement of financial position as of June 30, 2019, and the related statement of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HBL CPAs, P.C.

**HBL CPAs, P.C.**

November 14, 2019

**YOUTH ON THEIR OWN**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**

**ASSETS**

Cash and cash equivalents	\$ 958,372
Investments	2,834,452
Grants and other receivables	25,000
Bequests receivable	1,335,874
Prepaid expenses and other assets	47,962
Property and equipment	852,409
Beneficial interest in funds held by others	<u>145,147</u>
Total assets	<u><u>\$ 6,199,216</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 71,084
Accrued expenses	<u>55,321</u>
Total liabilities	126,405
Net assets:	
Without donor restrictions:	
Expended for property and equipment	852,409
Available for operations	<u>3,913,019</u>
	4,765,428
With donor restrictions for:	
Future periods and purpose	1,020,000
Purpose	181,132
Perpetual in nature	<u>106,251</u>
	<u>1,307,383</u>
Total net assets	<u>6,072,811</u>
Total liabilities and net assets	<u><u>\$ 6,199,216</u></u>

**YOUTH ON THEIR OWN**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Public support and revenues:			
Contributions	\$ 2,374,627	\$ 1,408,731	\$ 3,783,358
Government grants	-	200,660	200,660
Foundation grants	288,873	454,200	743,073
In-kind donations	128,109	-	128,109
Special events, net of direct donor benefit costs of \$27,354	238,404	-	238,404
Investment income	102,515	3,028	105,543
Other income	5,416	-	5,416
	<u>3,137,944</u>	<u>2,066,619</u>	<u>5,204,563</u>
Releases from restrictions	882,243	(882,243)	-
Total public support and revenues	<u>4,020,187</u>	<u>1,184,376</u>	<u>5,204,563</u>
Expenses and losses:			
Expenses:			
Program services	2,279,312	-	2,279,312
Administration	178,473	-	178,473
Fundraising	347,568	-	347,568
Total expenses	<u>2,805,353</u>	<u>-</u>	<u>2,805,353</u>
Bad debt losses	-	216,229	216,229
Total expenses and losses	<u>2,805,353</u>	<u>216,229</u>	<u>3,021,582</u>
Change in net assets	1,214,834	968,147	2,182,981
Net assets, beginning of year, as restated	<u>3,550,594</u>	<u>339,236</u>	<u>3,889,830</u>
Net assets, end of year	<u>\$ 4,765,428</u>	<u>\$ 1,307,383</u>	<u>\$ 6,072,811</u>

**YOUTH ON THEIR OWN**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Supporting services</u>			<u>Total</u>
	<u>Program services</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	
Salaries and wages	\$ 656,793	\$ 82,584	\$ 150,402	\$ 889,779
Payroll taxes and benefits	<u>153,466</u>	<u>10,786</u>	<u>28,697</u>	<u>192,949</u>
	810,259	93,370	179,099	1,082,728
Advertising	3,813	417	22,308	26,538
Bad debt expense	-	34,060	-	34,060
Bank service charges	523	1,173	29,591	31,287
Conferences and meetings	1,132	118	1,291	2,541
Depreciation	39,349	1,340	2,680	43,369
Direct donor benefit costs	-	-	27,354	27,354
Donor related expenses	161	41	808	1,010
Dues and subscriptions	6,860	2,312	9,528	18,700
Equipment rental	18,959	1,062	2,008	22,029
Fraudulent transaction expense	-	2,400	-	2,400
In-kind expenses	105,319	592	8,363	114,274
Insurance	8,045	834	1,543	10,422
Investment fees	-	13,507	-	13,507
Meals and entertainment	11,813	4,611	1,800	18,224
Miscellaneous	4,687	328	866	5,881
Postage and delivery	539	552	7,195	8,286
Printing and reproduction	8,903	323	32,382	41,608
Professional services	92,028	13,197	19,051	124,276
Repairs and maintenance	11,693	815	1,492	14,000
Stipends	743,306	-	-	743,306
Scholarships and other assistance	53,050	-	-	53,050
Student events	8,694	-	97	8,791
Student special needs	196,307	-	-	196,307
Supplies	94,636	13,889	17,999	126,524
Telephone	15,828	1,448	2,554	19,830
Training and education	10,192	4,397	2,456	17,045
Travel	20,285	438	3,064	23,787
Utilities	<u>12,931</u>	<u>756</u>	<u>1,393</u>	<u>15,080</u>
Total functional expenses	2,279,312	191,980	374,922	2,846,214
Less expenses netted against revenues:				
Investment fees	-	(13,507)	-	(13,507)
Direct donor benefit costs	<u>-</u>	<u>-</u>	<u>(27,354)</u>	<u>(27,354)</u>
Total expenses	<u>\$ 2,279,312</u>	<u>\$ 178,473</u>	<u>\$ 347,568</u>	<u>\$ 2,805,353</u>

**YOUTH ON THEIR OWN**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

Cash flows from operating activities:	
Change in net assets	\$ 2,182,981
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	43,369
Unrealized (gains)	(41,780)
Realized losses	4,070
Donated securities	(20,229)
Change in value of beneficial interest in funds held by others	(3,028)
Bad debt expense - provision for change in allowance for doubtful bequests without donor restrictions receivable	34,060
Bad debt loss - provision for change in allowance for doubtful bequests with donor restrictions receivable and pledges receivable written off	216,229
(Increase) decrease in operating assets:	
Grants and other receivables	34,300
Bequests receivable	(1,552,208)
Pledges receivable	(4,229)
Prepaid expenses and other assets	(23,142)
Increase (decrease) in operating liabilities:	
Accounts payable	3,568
Accrued expenses	(7,482)
Proceeds from sale of donated securities	21,557
Net cash provided by operating activities	<u>888,036</u>
 Cash flows from investing activities:	
Purchases of investments	(1,755,416)
Sales of investments	703,495
Additions to beneficial interest in funds held by others	(5,000)
Purchases of property and equipment	<u>(22,410)</u>
Net cash (used in) investing activities	(1,079,331)
 Change in cash and cash equivalents	(191,295)
 Cash and cash equivalents, beginning of year	<u>1,149,667</u>
 Cash and cash equivalents, end of year	<u><u>\$ 958,372</u></u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2019.



**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**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*

The financial statements of YOTO have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require YOTO to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

*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 \$456,869 in uninsured cash at June 30, 2019.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 2 – Summary of significant accounting policies, continued**

*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.

*Advertising*

Advertising costs are expensed as incurred. Advertising expense was \$26,538 for the year ended June 30, 2019.

*Receivables*

Grants and other receivables are stated at unpaid balances. Bequests receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on the estimate for potential volatility in the value of assets held by the estate, trust and estate fees, other expenses and taxes. 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.

*Revenue and revenue recognition*

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the nature of the restrictions. When a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 2 – Summary of significant accounting policies, continued**

*Income tax status*

YOTO is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to YOTO's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, YOTO qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(11) and is classified as an organization other than a private foundation under Section 509(a)(2).

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 710-10 (ASC 740-10), YOTO holds no uncertain tax positions and, therefore, has no policy for evaluating them. YOTO's Form 990, Return of Organization Exempt from Income Taxes, and Arizona Form 99, Arizona Exempt Organization Annual Information Return, are generally subject to examination by the IRS for three years and the Arizona Department of Revenue for your years, respectively, after the date the returns were filed.

*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 retains in perpetuity (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 retained in perpetuity are subject to appropriation 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 pronouncements*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to make improvements to the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update became effective for YOTO for annual financial statements issued for fiscal years beginning after December 15, 2017. YOTO implemented the amendments for the fiscal year beginning July 1, 2018. YOTO does not believe these amendments had a material effect on its financial statements.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 2 – Summary of significant accounting policies, continued**

*New accounting pronouncements, continued*

In May 2015, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. The new standard (as amended) is effective for fiscal years beginning after December 15, 2018 and may be adopted early. YOTO is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2020 and may be adopted early. YOTO is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for YOTO for fiscal years beginning after December 15, 2018. Management elected to early implement the ASU during the year ended June 30, 2019, and does not believe the amendment had a material effect on its financial statements.

**NOTE 3 – Liquidity and availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprised the following at June 30, 2019:

Financial assets:	
Cash and cash equivalents	\$ 958,372
Investments	2,834,452
Grants and other receivables	25,000
Bequests receivable	1,335,874
Beneficial interest in funds held by others	145,147
Less amounts not available to be used within one year -	
Net assets with donor restrictions	<u>(1,307,383)</u>
Net financial assets available to be used to meet general obligations	<u>\$ 3,991,462</u>

YOTO's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date. Income from donor-restricted bequests is restricted for specific purposes and, therefore, is not available for general expenditure. As part of YOTO's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, YOTO invests cash in excess of daily requirements in short-term investments.

**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.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 4 – Fair value measurements and investments, continued**

*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, 2019 were as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities - mutual funds:			
Domestic equity funds	\$ 757,972	\$ -	\$ 757,972
International equity funds	339,532	-	339,532
Bond funds	708,328	-	708,328
Mixed assets	57,861	-	57,861
Certificates of deposit held at brokerage	970,759	-	970,759
Beneficial interest in funds held by others	-	145,147	145,147
	<u>\$ 2,834,452</u>	<u>\$ 145,147</u>	<u>\$ 2,979,599</u>

Activity in assets measured on a recurring basis using Level 3 inputs consisted of the following for the year ended June 30, 2019:

Beneficial interest in funds held by others:	
Fair value at the beginning of the year	\$ 137,119
Change in value	3,028
Additions	<u>5,000</u>
Fair value at the end of the year	<u>\$ 145,147</u>

Investment income for the year ended June 30, 2019 consisted of the following:

Interest and dividends	\$ 78,312
Unrealized gains	41,780
Realized (losses)	(4,070)
Change in value of beneficial interest in funds held by others	3,028
Investment fees	<u>(13,507)</u>
	<u>\$ 105,543</u>

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 5 – Bequests receivable**

Bequests are recognized as increases in net assets with donor or without donor restrictions, based on the existence or absence of donor-imposed restrictions, at the date of the decedent’s death. For bequests which entitle YOTO to a percentage of the donor’s estate, with YOTO’s portion estimated to be \$20,000 or more, an allowance for doubtful accounts is recorded to account for potential volatility in the value of assets held by the estate, trust and estate fees, other expenses and taxes. For estates holding cash, marketable securities and other financial assets, the allowance is approximately 11% of the estimated value as provided by the trustee. For estates which also hold real property, the allowance is increased to approximately 16% of the estimated value to allow for greater variance in real property markets and increased time needed to liquidate the assets. Bequests receivable comprised the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions for purpose</u>	<u>Total</u>
Bequests receivable	\$ 369,934	\$ 1,200,000	\$ 1,569,934
Allowance for doubtful bequests receivable	<u>(34,060)</u>	<u>(200,000)</u>	<u>(234,060)</u>
	<u>\$ 335,874</u>	<u>\$ 1,000,000</u>	<u>\$ 1,335,874</u>

**NOTE 6 – Property and equipment**

Property and equipment at June 30, 2019 consisted of the following:

Land	\$ 205,000
Buildings	1,580,924
Furniture and equipment	<u>(746,424)</u>
	1,039,500
Less accumulated depreciation	<u>(187,091)</u>
	<u>\$ 852,409</u>

**NOTE 7 – In-kind donations**

In-kind revenues consisted of the following for the year ended June 30, 2019:

Special event supplies	\$ 8,363
Back to School/Mini-Mall	70,533
Student special needs	33,388
Student living expenses	<u>1,990</u>
Total in-kind expenses	114,274
Change in unused gift cards included in other assets	10,832
Direct donor benefit costs	<u>3,003</u>
Total in-kind donations	<u>\$ 128,109</u>

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 8 – Functionalized expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll taxes and benefits, insurance, professional services, utilities, repairs and maintenance, equipment rental, supplies, training and education, meals and entertainment, travel, and depreciation, which are allocated based on a ratio of how much time is spent on each function for all employees.

**NOTE 9 – Fraudulent transactions**

During the year ended June 30, 2019, the account and routing numbers for one of YOTO's bank accounts was used to generate counterfeit checks, and 13 fraudulent checks were written on the account during the year. The account was immediately switched to positive pay 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 10 – 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 18 years of age are eligible to participate. Retirement expense totaled \$22,038 for the year ended June 30, 2019.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 11 – Net assets with donor restrictions**

Net assets with donor restrictions consisted of the following at June 30, 2019:

Subject to both the passage of time and purpose restrictions:

Bequests receivable restricted for career and workforce advancement	\$ 1,000,000
Grants receivable restricted for:	
Special needs	10,000
Student living expenses	10,000
	1,020,000

Subject to purpose restrictions:

After-school workshops	2,223
Client services	200
Gift cards	100
Graduation awards	1,000
Mini-mall/Back to School	16,801
Program coordinator	15,000
Scholarships	46,473
Scholarship books	10,911
Special needs	758
Strategic plan	5,000
Student living expenses	22,500
Visual Arts for students	1,854
Youth Action Committee	7,870
YOTO Ambassadors	11,547
	142,237

Endowments:

Subject to appropriation and expenditure - accumulated earnings	38,895
With donor restrictions perpetual in nature - subject to spending policy:	
Fischmann endowment	30,298
Redding endowments	75,953
	145,146
	\$ 1,307,383



**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 11 – Net assets with donor restrictions, continued**

Activity in net assets with donor restrictions was as follows during the year ended June 30, 2019:

	<u>Contributions</u>	<u>Investment income</u>	<u>Bad debt loss</u>	<u>Transfers</u>	<u>Releases/ appropriations</u>
Subject to the passage of time	\$ -	\$ -	\$ (10,000)	\$ -	\$ (7,000)
Subject to both the passage of time and purpose restrictions:					
Bequest receivable for career & workforce development	1,200,000	-	(200,000)	-	-
Grants receivable for:					
Special needs	10,000	-	-	-	-
Student living expenses	10,000	-	-	(25,000)	-
	<u>1,220,000</u>	<u>-</u>	<u>(200,000)</u>	<u>(25,000)</u>	<u>-</u>
Subject to purpose restrictions:					
After-school workshops	-	-	-	-	(269)
Client services	10,200	-	-	-	(10,000)
Dorm kits	250	-	-	-	(723)
Gift cards	15,200	-	-	-	(15,100)
Graduation awards	12,500	-	-	-	(11,500)
Mini-mall/Back to School	23,543	-	-	-	(29,567)
Program coordinator	45,000	-	-	-	(54,333)
Scholarships	16,050	-	(6,229)	-	(10,355)
Scholarship books	-	-	-	-	(2,918)
Special needs	83,670	-	-	-	(88,911)
Strategic plan	5,000	-	-	-	-
Student living expenses	529,978	-	-	25,000	(547,978)
Visual Arts for students	-	-	-	-	(646)
Workforce readiness	82,000	-	-	-	(82,000)
Youth Action Committee	15,200	-	-	-	(16,430)
YOTO Ambassadors	-	-	-	-	(4,513)
	<u>838,591</u>	<u>-</u>	<u>(6,229)</u>	<u>25,000</u>	<u>(875,243)</u>
Endowments:					
Subject to appropriation and expenditure -					
Accumulated earnings	-	3,028	-	-	-
With donor restrictions perpetual in nature -					
Subject to spending policy -					
Fischmann endowment	5,000	-	-	-	-
	<u>5,000</u>	<u>3,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,063,591</u>	<u>\$ 3,028</u>	<u>\$ (216,229)</u>	<u>\$ -</u>	<u>\$ (882,243)</u>

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2019

**NOTE 12 – 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. There were no deficiencies of this nature at June 30, 2019.

*Return objectives and risk parameters*

YOTO has not 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 net assets with donor restrictions when distributed by CFSA and JCF and the related restriction (if any) has been met. See Note 11 for endowment-related activities in net assets with donor restrictions.

*Endowment fund net assets*

Net assets in the endowment funds consisted of the following at June 30, 2019:

	<u>With donor restrictions</u>		<u>Total</u>
	<u>Restricted for purpose</u>	<u>Restricted in perpetuity</u>	
Beginning balance	\$ 35,867	\$ 101,251	\$ 137,118
Contributions	-	5,000	5,000
Change in value of beneficial interest in funds held by others	<u>3,028</u>	<u>-</u>	<u>3,028</u>
Ending balance	<u>\$ 38,895</u>	<u>\$ 106,251</u>	<u>\$ 145,146</u>

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 13 – Operating leases**

Youth on Their Own leases office equipment under various noncancelable operating leases expiring through June 2023. Rental expense for these leases totaled \$11,565 for the year ended June 30, 2019. Future minimum payments of the operating leases are as follows:

Year ending June 30, 2020	\$	7,884
2021		4,884
2022		684
2023		627
		14,079
	\$	14,079

**NOTE 14 – Prior period adjustment**

The following errors were corrected during the year ending June 30, 2019:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Balance at June 30, 2018, as originally stated	\$ 3,542,078	\$ 347,752	\$ 3,889,830
Misclassification of net asset classes	8,516	(8,516)	-
Balance at June 30, 2018, as restated	\$ 3,550,594	\$ 339,236	\$ 3,889,830

**NOTE 15 – Subsequent events**

Subsequent events have been evaluated through November 14, 2019, which is the date the financial statements were available to be issued.