

**YOUTH ON THEIR OWN**

**AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**YEAR ENDED JUNE 30, 2020**

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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Youth on Their Own  
Tucson, Arizona

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, 2020, 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 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, 2020, 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.**

December 29, 2020

**YOUTH ON THEIR OWN**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

Cash and cash equivalents	\$	2,413,307
Investments		2,549,376
Grants and other receivables		64,611
Bequests receivable		1,288,858
Prepaid expenses and other assets		78,565
Inventory		39,970
Property and equipment		804,507
Beneficial interest in funds held by others		154,274
Beneficial interest in charitable remainder trust		<u>4,372,900</u>
Total assets	\$	<u><u>11,766,368</u></u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable	\$	55,280
Accrued expenses		101,207
Refundable grant advance		<u>258,400</u>
Total liabilities		414,887
Net assets:		
Without donor restrictions:		
Expended for property and equipment		804,507
Available for operations		<u>4,639,812</u>
		5,444,319
With donor restrictions for:		
Future periods		10,500
Future periods and purpose		1,312,343
Purpose		57,146
Endowments:		
Accumuated earnings subject to appropriation and expenditure		39,522
Perpetual in nature		<u>4,487,651</u>
		<u>4,527,173</u>
		<u>5,907,162</u>
Total net assets		<u>11,351,481</u>
Total liabilities and net assets	\$	<u><u>11,766,368</u></u>

**YOUTH ON THEIR OWN**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Public support and revenues:			
Contributions	\$ 2,385,682	\$ 4,854,561	\$ 7,240,243
Government grants	-	192,044	192,044
Foundation grants	243,113	689,825	932,938
In-kind donations	153,785	-	153,785
Special events, net of direct donor benefit costs of \$45,646	265,403	10,000	275,403
Investment income	104,903	1,427	106,330
Other income	3,401	-	3,401
Bad debt recovery	20,387	185,092	205,479
	<u>3,176,674</u>	<u>5,932,949</u>	<u>9,109,623</u>
Releases from restrictions	<u>1,333,170</u>	<u>(1,333,170)</u>	<u>-</u>
Total public support and revenues	4,509,844	4,599,779	9,109,623
Expenses:			
Program services	3,118,604	-	3,118,604
Administration	268,699	-	268,699
Fundraising	443,650	-	443,650
Total expenses	<u>3,830,953</u>	<u>-</u>	<u>3,830,953</u>
Change in net assets	678,891	4,599,779	5,278,670
Net assets, beginning of year	<u>4,765,428</u>	<u>1,307,383</u>	<u>6,072,811</u>
Net assets, end of year	<u>\$ 5,444,319</u>	<u>\$ 5,907,162</u>	<u>\$ 11,351,481</u>

**YOUTH ON THEIR OWN**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<b>Program services</b>	<b>Supporting services</b>		<b>Total</b>
		<b>Adminis- tration</b>	<b>Fundraising</b>	
Salaries and wages	\$ 774,301	\$ 181,335	\$ 243,833	\$ 1,199,469
Payroll taxes and benefits	163,097	33,465	45,104	241,666
	<u>937,398</u>	<u>214,800</u>	<u>288,937</u>	<u>1,441,135</u>
Advertising	550	-	24,091	24,641
Bank service charges	39	2,239	34,926	37,204
Conferences and meetings	865	895	71	1,831
Depreciation	39,516	3,106	5,280	47,902
Direct donor benefit costs	-	-	45,646	45,646
Donor related expenses	-	92	3,096	3,188
Dues and subscriptions	10,766	2,562	16,053	29,381
Equipment rental	17,918	1,838	2,733	22,489
In-kind expenses	94,388	347	27	94,762
Insurance	10,494	1,398	1,536	13,428
Investment fees	-	14,337	-	14,337
Meals and entertainment	10,357	3,899	1,674	15,930
Miscellaneous	3,511	560	762	4,833
Postage and delivery	2,541	624	6,642	9,807
Printing and reproduction	11,027	-	19,774	30,801
Professional services	260,370	20,008	23,785	304,163
Repairs and maintenance	8,008	1,041	1,422	10,471
Scholarships and other assistance	93,002	-	-	93,002
Stipends	1,298,259	-	-	1,298,259
Student events	15,429	-	-	15,429
Student special needs	201,705	-	-	201,705
Supplies	50,194	6,351	5,393	61,938
Telephone	18,559	3,562	3,661	25,782
Training and education	11,075	2,570	1,485	15,130
Travel	11,039	1,729	659	13,427
Utilities	11,594	1,078	1,643	14,315
Total functional expenses	<u>3,118,604</u>	<u>283,036</u>	<u>489,296</u>	<u>3,890,936</u>
Less expenses netted against revenues:				
Investment fees	-	(14,337)	-	(14,337)
Direct donor benefit costs	-	-	(45,646)	(45,646)
Total expenses	<u>\$ 3,118,604</u>	<u>\$ 268,699</u>	<u>\$ 443,650</u>	<u>\$ 3,830,953</u>

**YOUTH ON THEIR OWN**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Change in net assets	\$ 5,278,670
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	47,902
Unrealized (gains)	(45,287)
Realized losses	29,963
Donated securities	(25,244)
Change in value of beneficial interest in funds held by others	(1,427)
Provision for change in present value of beneficial interest in charitable remainder trust	2,217,921
(Increase) decrease in operating assets:	
Grants and other receivables	21,889
Bequests receivable	47,016
Pledges receivable	(61,500)
Prepaid expenses and other assets	(30,603)
Inventory	(39,970)
Increase (decrease) in operating liabilities:	
Accounts payable	(15,804)
Accrued expenses	45,886
Refundable grant advance	258,400
Proceeds from sale of donated securities	25,290
Less contributions of beneficial interest in CRUT and beneficial interest in funds held by others restricted for long-term purposes	<u>(6,599,321)</u>
Net cash provided by operating activities	1,153,781
 Cash flows from investing activities:	
Purchases of investments	(2,258,909)
Sales of investments	2,559,263
Distributions from beneficial interest in funds held by others	<u>800</u>
Net cash provided by investing activities	301,154
 Change in cash and cash equivalents	1,454,935
 Cash and cash equivalents, beginning of year	<u>958,372</u>
 Cash and cash equivalents, end of year	<u><u>\$ 2,413,307</u></u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2020.



**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**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 \$1,045,814 in uninsured cash at June 30, 2020.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

**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 \$24,641 for the year ended June 30, 2020.

*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.

*Inventory*

Inventory at the Mini Mall consists of donated and purchased food, school supplies and hygiene products. Inventory is valued at the lower of cost or market. Management calculates cost by valuing the inventory items at fair market value using published prices for local retailers, then records an allowance of 50% for adjustment from fair market value to cost. This allowance also provides for potential outdated or obsolete inventory based on management's assessment of relevant factors affecting inventory. The fair value of the inventory was \$79,940 and the related allowance was \$39,970 at June 30, 2020.

*Revenue, revenue recognition and refundable grant advances*

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

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 funds are expended in accordance with donor restrictions, 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.

Refundable grant advances result from payments received in advance on grants that are conditional in nature and for which specific requirements remain. A conditional grant is defined by both the right of return of funds and one or more measurable barriers to entitlement. Conditional contributions are unrecognized initially, in the case of conditional promises to give and conditional grants awarded that have not been funded, until the barriers to entitlement are overcome. At that point, the transaction is recognized as unconditional and classified as either net assets with restriction or net assets without restrictions, based on the nature of the underlying transaction.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

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

*Donated goods 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 have 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).

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 four 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 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.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

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

*New accounting pronouncements*

*Standards updates adopted during the year ended June 30, 2020*

YOTO implemented the provisions of the following Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) on a retrospective basis during the year ended June 30, 2020. Implementation of the standards had no impact on net assets, by class or in total, originally reported in any previous accounting period.

In January 2016, FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. FASB subsequently issued 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which clarifies certain aspects of the guidance in ASU 2016-01. This guidance expands the scope of fair value reporting for investments on the statement of financial position with changes included in the change in net assets on the statement of activities to include equity investments in partnerships, unincorporated joint ventures, and limited liabilities companies; collectively referred to as equity securities.

In August of 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The ASU provides guidance on the classification of certain transactions in the statement of cash flows and reduces diversity in practice.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity of practice. The ASU also requires that amounts generally described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In May 2015, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles used to recognize revenue for all entities. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The update provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring that the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the update requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

*Standards updates issued but not effective as of June 30, 2020*

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 has elected not to early implement the ASU, and is currently evaluating the effect that implementation of the new standard will have on its financial statements.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

**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, 2020:

Financial assets:	
Cash and cash equivalents	\$ 2,413,307
Investments	2,549,376
Grants and other receivables	64,611
Bequests receivable	1,288,858
Beneficial interest in funds held by others	154,274
Beneficial interest in charitable remainder trust	4,372,900
Less amounts not available to be used within one year -	
Net assets with donor restrictions	<u>(5,907,162)</u>
Net financial assets available to be used to meet general obligations	<u>\$ 4,936,164</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.

*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. Assets measured on a recurring basis using Level 3 inputs comprise beneficial interest in funds held at CFSA and JCF, and beneficial interest in a charitable remainder trust. 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. The beneficial interest in the charitable remainder trust is reported at the present value of the expected future cash flows, which management believes approximates fair value.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

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

Fair values of assets measured on a recurring basis at June 30, 2020 were as follows:

	<u>Level 1</u>	<u>Level 2</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
Fixed income funds	708,328	-	-	708,328
Mixed assets	57,861	-	-	57,861
Certificates of deposit at a brokerage	-	970,759	-	970,759
Beneficial interest-funds held by others	-	-	145,147	145,147
	<u>\$ 1,863,693</u>	<u>\$ 970,759</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, 2020:

Beneficial interest in funds held by others:	
Fair value at the beginning of the year	\$ 145,147
Change in value	1,427
Additions	8,500
Distributions	<u>(800)</u>
Fair value at the end of the year	<u>\$ 154,274</u>
Beneficial interest in charitable remainder trust:	
Beginning balance	\$ -
Initial recognition of beneficial interest	6,599,321
Provision for discount to present value	<u>(2,226,421)</u>
Ending balance	<u>\$ 4,372,900</u>

Investment income for the year ended June 30, 2020 consisted of the following:

Interest and dividends	\$ 103,916
Unrealized gains	45,287
Realized (losses)	(29,963)
Change in value of beneficial interest in funds held by others	1,427
Investment fees	<u>(14,337)</u>
	<u>\$ 106,330</u>

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

**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 \$10,000 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 1% of the estimated value as provided by the trustee. For estates which also hold real property, the allowance is increased to approximately 26% 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, 2020:

	Without donor restrictions	With donor restrictions for purpose	Total
Bequests receivable	\$ 32,935	\$ 1,274,751	\$ 1,307,686
Allowance for doubtful bequests receivable	<u>(3,920)</u>	<u>(14,908)</u>	<u>(18,828)</u>
	<u>\$ 29,015</u>	<u>\$ 1,259,843</u>	<u>\$ 1,288,858</u>

**NOTE 6 – Property and equipment**

Property and equipment at June 30, 2020 consisted of the following:

Land	\$ 205,000
Buildings	801,667
Furniture and equipment	<u>32,832</u>
	1,039,499
Less accumulated depreciation	<u>(234,992)</u>
	<u>\$ 804,507</u>

**NOTE 7 – Refundable grant advances, conditional grants and CARES Act funding**

Conditional grants are funds provided that require that the grantee use the funds on specific projects or activities, known as barriers, and for which the grantor clearly defines the right to collect unused funds or funds spent in a manner that is not consistent with the terms of the agreement.

In March of 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to confront the expected economic contraction resulting from efforts to minimize the spread of the COVID-19 virus described in Note 15. This law made loans available from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). PPP loans are forgivable up to the full amount of the proceeds if various conditions are met, including retention based on full-time equivalents, expenditure for specific types of expenses, and other limitations. Modifying legislation was passed subsequently, and as of the date of report, additional legislation is expected that could affect the amount that could be forgiven and the ultimate terms of repayment.

YOTO applied for and received \$258,400 in PPP loan funds through a national bank in April of 2020. In the event that the conditions for forgiveness are not met or legal and legislative changes are made that required the return of conditional grant funds, YOTO would be required to make 18 monthly payments of principal and interest at a rate of 1% on the outstanding balance, beginning of November 2020. Because the agreement includes a right of return of funds to the grantor and conditions that represent a measurable barrier to entitlement, the PPP loan has been classified as a conditional grant and the proceeds are included in refundable grant advances on the statements of financial position.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

**NOTE 8 – Beneficial interest in charitable remainder trust**

YOTO is notified from time to time that they have been named as a beneficiary in various wills and similar legal designations that are revocable or otherwise able to be modified by the potential donor. Because such planned giving agreements may be changed without notice by the donors, YOTO does not recognize these potential future cash flows until such time as the instruments become irrevocable and the amount to be received can be reasonably estimated.

During the year ended June 30, 2020, a previously revocable trust for which YOTO was listed as a beneficiary became irrevocable. According to the trust documents, the primary beneficiary (an individual unrelated to YOTO) will receive regular distributions from the income generated by trust assets throughout the duration of her life. The distributions to the primary beneficiary in any one year are limited to a fixed percentage of the fair value of trust assets at the previous year end or the income generated by trust assets in the previous year, whichever is less. Any income of the trust in excess of distributions to the primary beneficiary are to be added to principal. After such obligations are fulfilled, the remaining assets held in the trust will be distributed in equal shares to the several charitable organizations named in the agreement, to be held by each organization as a permanent endowment.

YOTO recorded a beneficial interest in this charitable remainder trust and recognized contribution revenue with donor restrictions perpetual in nature as of and for the year ended June 30, 2020. The amount recognized was the estimated fair value of its beneficial interest, which was determined based on YOTO's share of the present value of assets held in the trust as of the date it became irrevocable, following IRS guidelines and factor tables for calculating the present value of a remainder. The interest rate used to calculate the present value was 2.6%, the IRS Section 7520 interest rate for the month in which the trust became irrevocable. Present value of the beneficial interest in the charitable remainder trust was as follows at June 30, 2020:

YOTO's share of value of assets in the charitable remainder trust	
at the date when the trust became irrevocable	\$ 6,599,321
Less discount to present value at 2.6%	<u>(2,226,421)</u>
Present value of beneficial interest in the charitable remainder trust	<u>\$ 4,372,900</u>

**NOTE 9 – In-kind donations**

In-kind revenues and expenses consisted of the following for the year ended June 30, 2020:

Distribution of donated gift cards:	
Back to School/Mini-Mall	\$ 735
Bill assistance	19,044
Stipends	14,265
Scholarships	2,642
Professional fees	1,000
Distribution/allowance of donated Back to School/Mini-Mall supplies	<u>57,076</u>
Total in-kind expenses	94,762
Change in unused gift cards included in other assets	16,618
Mini Mall inventory	39,970
Direct donor benefit costs	<u>2,435</u>
Total in-kind donations	<u>\$ 153,785</u>



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**NOTE 9 – In-kind donations, continued**

In addition, distributions of purchased gift cards are included in expenses in the statement of functional expenses as follows for the year ended June 30, 2020:

Scholarships and other assistance	\$ 850
Stipends	14,970
Student events	4
Special needs	109,891
	\$ 125,715

**NOTE 10 – Retirement plan**

YOTO participates in a defined contribution 401(k) 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. YOTO matches 100% of employee contributions that are not in excess of 3% of employee compensation, and 50% in excess of 3% but up to 5% of employee contributions. Retirement expense totaled \$32,615 for the year ended June 30, 2020.

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

Net assets with donor restrictions consisted of the following at June 30, 2020:

Subject to the passage of time	\$ 10,500
Subject to both the passage of time and purpose restrictions:	
Bequests receivable restricted for career and workforce advancement	1,259,843
Grants receivable restricted for:	
Holiday appeal	1,100
Volunteer	400
Scholarships	6,000
Program coordinator salary	45,000
	1,312,343
Subject to purpose restrictions:	
Bill assistance	10,654
Client services	13,054
Mini Mall	3,147
Scholarship books	1,159
Scholarships	27,280
Stipends	-
Visual arts for students	1,852
	57,146
Endowments:	
Subject to appropriation and expenditure - accumulated earnings	39,522
With donor restrictions perpetual in nature:	
Fischmann endowment	35,298
Redding endowments	79,453
Beneficial interest in charitable remainder trust	4,372,900
	4,527,173
	\$ 5,907,162

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NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 11 – Net assets with donor restrictions, continued**

Activity in net assets with donor restrictions was as follows during the year ended June 30, 2020:

	<u>Contributions</u>	<u>Investment income</u>	<u>Change in provision for doubtful accounts</u>	<u>Transfers</u>	<u>Releases/ appropriations</u>
Subject to the passage of time	\$ 10,500	\$ -	\$ -	\$ -	\$ -
Subject to both the passage of time and purpose restrictions:					
Bequest receivable for career & workforce development	74,751	-	185,092	-	-
Grants receivable for:					
Bill assistance	-	-	-	(10,000)	-
Stipends	-	-	-	(10,000)	-
Holiday appeal	1,100	-	-	-	-
Volunteer	400	-	-	-	-
Scholarships	6,000	-	-	-	-
Program coordinator salary	45,000	-	-	-	-
	<u>127,251</u>	<u>-</u>	<u>185,092</u>	<u>(20,000)</u>	<u>-</u>
Subject to purpose restrictions:					
After-school workshops	-	-	-	-	(2,223)
Alumni services	50	-	-	-	(50)
Bill assistance	86,870	-	-	10,000	(86,974)
Client services	194,131	-	-	-	(181,277)
College and career salary	22,000	-	-	-	(22,000)
Diplomas	50	-	-	-	(50)
Gift cards	2,250	-	-	-	(2,350)
Graduation awards	-	-	-	-	(1,000)
Mini Mall	15,149	-	-	-	(12,002)
Mobile Mini-Mall	-	-	-	-	(16,801)
Program coordinator	148,500	-	-	-	(163,500)
Scholarship books	-	-	-	-	(9,752)
Scholarships	12,000	-	-	-	(31,193)
Staff payroll	3,500	-	-	-	(3,500)
Stipends	685,898	-	-	10,000	(718,398)
Strategic plan	-	-	-	-	(5,000)
Student portal	44,905	-	-	-	(44,905)
UW Celebrate Success	100	-	-	-	(100)
YHDP	11,876	-	-	-	(11,877)
Youth Action Committee	-	-	-	-	(7,870)
YOTO Ambassadors	-	-	-	-	(11,548)
	<u>1,227,279</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>(1,332,370)</u>
Endowments:					
Subject to appropriation and expenditure -					
Accumulated earnings	-	1,427	-	-	(800)
With donor restrictions perpetual in nature -					
Fischmann endowment	5,000	-	-	-	-
Redding endowments	3,500	-	-	-	-
Beneficial interest in charitable remainder trust	4,372,900	-	-	-	-
	<u>4,381,400</u>	<u>1,427</u>	<u>-</u>	<u>-</u>	<u>(800)</u>
	<u>\$ 5,746,430</u>	<u>\$ 1,427</u>	<u>\$ 185,092</u>	<u>\$ -</u>	<u>\$ (1,333,170)</u>

**YOUTH ON THEIR OWN**  
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JUNE 30, 2020

**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, 2020.

*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, 2020:

	With donor restrictions		Total
	Restricted for purpose	Restricted in perpetuity	
Beginning balance	\$ 38,895	\$ 106,251	\$ 145,146
Contributions	1,427	4,381,400	4,382,827
Distributions	(800)	-	(800)
Change in value of beneficial interest in funds held by others	-	-	-
Ending balance	\$ 39,522	\$ 4,487,651	\$ 4,527,173

**NOTE 13 – 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.

**YOUTH ON THEIR OWN**  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2020

**NOTE 14 – Operating leases**

Youth on Their Own leases office equipment under various noncancelable operating leases expiring through June 2023. Rental expense for these leases totaled \$9,570 for the year ended June 30, 2020. Future minimum payments of the operating leases are as follows:

Year ending June 30, 2021	\$ 4,387
2022	684
2023	627
	<u>5,698</u>
	<u>\$ 5,698</u>

YOTO also leases storage space on a month-to-month basis. Rent expense for storage space totaled \$12,760 for the year ended June 30, 2020.

**NOTE 15 – Subsequent events**

In order to prevent the unchecked spread of the COVID-19 virus among staff and patrons, YOTO's management and board opted to limit access to the YOTO offices and to reduce staff in office hours to the minimum required to carry out essential duties in March of 2020. YOTO has continued to provide program services using various virtual options. Though it is likely that the economic contraction resulting from the efforts to control the rates of infection will reduce revenue from contributions, special events, and various programs, an estimate of the long-term impact on YOTO cannot be made.

Subsequent events have been evaluated through December 29, 2020, which is the date the financial statements were available to be issued.