

YOUTH ON THEIR OWN

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 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 statements of financial position as of June 30, 2021 and 2020, and the related statement 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, 2021 and 2020, 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 22, 2021

YOUTH ON THEIR OWN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,581,625	\$ 2,413,307
Investments	6,221,784	2,549,376
Grants receivable	25,359	3,111
Pledges receivable	34,310	61,500
Bequests receivable	118,730	1,288,858
Prepaid expenses and other assets	97,753	78,565
Inventory	11,524	39,970
Property and equipment	762,851	804,507
Beneficial interest in funds held by others	196,033	154,274
Beneficial interests in trusts	6,006,682	5,924,258
Total assets	\$ 15,056,651	\$ 13,317,726

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 81,236	\$ 55,280
Accrued expenses	108,892	101,207
Refundable grant advance	-	258,400
Total liabilities	190,128	414,887
Net assets:		
Without donor restrictions:		
Expended for property and equipment	762,851	804,507
Available for operations	6,590,319	4,616,895
	7,353,170	5,421,402
With donor restrictions for:		
Future periods	24,910	10,500
Future periods and purpose	16,160	1,335,260
Purpose	1,269,569	57,146
Endowments:		
Accumulated earnings subject to appropriation and expenditure	73,069	39,522
Perpetual in nature	6,129,645	6,039,009
Total endowments	6,202,714	6,078,531
Total net assets with donor restrictions	7,513,353	7,481,437
Total net assets	14,866,523	12,902,839
Total liabilities and net assets	\$ 15,056,651	\$ 13,317,726

YOUTH ON THEIR OWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Public support and revenues:			
Contributions	\$ 3,086,169	\$ 276,186	\$ 3,362,355
Government grants	258,400	517,923	776,323
Foundation grants	199,860	501,060	700,920
In-kind donations	77,767	-	77,767
Special events, net of direct donor benefit costs of \$12,925	350,528	-	350,528
Investment income	483,825	35,414	519,239
Other income	2,157	-	2,157
	<u>4,458,706</u>	<u>1,330,583</u>	<u>5,789,289</u>
Releases from restrictions	<u>1,264,384</u>	<u>(1,264,384)</u>	<u>-</u>
Total public support and revenues	5,723,090	66,199	5,789,289
Expenses and losses:			
Expenses:			
Program services	3,056,802	-	3,056,802
Administration	230,926	-	230,926
Fundraising	503,594	-	503,594
	<u>3,791,322</u>	<u>-</u>	<u>3,791,322</u>
Bad debt loss	<u>-</u>	<u>34,283</u>	<u>34,283</u>
Total expenses and losses	3,791,322	34,283	3,825,605
Change in net assets	1,931,768	31,916	1,963,684
Net assets, beginning of year, as restated	<u>5,421,402</u>	<u>7,481,437</u>	<u>12,902,839</u>
Net assets, end of year	<u>\$ 7,353,170</u>	<u>\$ 7,513,353</u>	<u>\$ 14,866,523</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	\$ 6,405,919	\$ 8,791,601
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>7,484,307</u>	<u>10,660,981</u>
Releases from restrictions	<u>1,310,253</u>	<u>(1,310,253)</u>	<u>-</u>
Total public support and revenues	4,486,927	6,174,054	10,660,981
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	655,974	6,174,054	6,830,028
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, as restated	<u>\$ 5,421,402</u>	<u>\$ 7,481,437</u>	<u>\$ 12,902,839</u>

YOUTH ON THEIR OWN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Supporting services</u>			<u>Total</u>
	<u>Program services</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	
Salaries and wages	\$ 858,529	\$ 157,193	\$ 288,826	\$ 1,304,548
Payroll taxes and benefits	196,651	32,374	57,903	286,928
	<u>1,055,180</u>	<u>189,567</u>	<u>346,729</u>	<u>1,591,476</u>
Advertising	1,396	-	11,564	12,960
Bad debt expense	4,180	-	-	4,180
Bank service charges	2,642	3,695	37,229	43,566
Conferences and meetings	120	50	-	170
Contributions and grants	393,700	-	-	393,700
Depreciation	29,701	3,895	8,060	41,656
Direct donor benefit costs	-	-	12,925	12,925
Donor related expenses	-	6,443	-	6,443
Dues and subscriptions	12,565	1,563	16,063	30,191
Equipment rental	20,185	811	3,028	24,024
In-kind expenses	112,582	110	-	112,692
Insurance	10,516	1,228	2,608	14,352
Investment fees	-	24,956	-	24,956
Meals and entertainment	13,086	2,505	2,741	18,332
Miscellaneous	729	-	89	818
Postage and delivery	728	256	7,311	8,295
Printing and reproduction	4,547	25	27,088	31,660
Professional services	142,125	7,078	20,171	169,374
Repairs and maintenance	12,472	484	1,037	13,993
Scholarships and other assistance	56,255	-	-	56,255
Stipends	828,010	-	-	828,010
Student events	27,501	-	-	27,501
Student special needs	190,772	-	-	190,772
Supplies	82,464	5,770	5,391	93,625
Telephone	27,518	3,606	5,743	36,867
Training and education	10,440	2,188	5,067	17,695
Travel	1,378	69	477	1,924
Utilities	16,010	1,583	3,198	20,791
Total functional expenses	<u>3,056,802</u>	<u>255,882</u>	<u>516,519</u>	<u>3,829,203</u>
Less expenses netted against revenues:				
Investment fees	-	(24,956)	-	(24,956)
Direct donor benefit costs	-	-	(12,925)	(12,925)
Total expenses	<u>\$ 3,056,802</u>	<u>\$ 230,926</u>	<u>\$ 503,594</u>	<u>\$ 3,791,322</u>

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

	<u>Supporting services</u>			<u>Total</u>
	<u>Program services</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	
Salaries and wages	\$ 774,301	\$ 181,335	\$ 243,833	\$ 1,199,469
Payroll taxes and benefits	163,097	33,465	45,104	241,666
	937,398	214,800	288,937	1,441,135
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	3,118,604	283,036	489,296	3,890,936
Less expenses netted against revenues:				
Investment fees	-	(14,337)	-	(14,337)
Direct donor benefit costs	-	-	(45,646)	(45,646)
Total expenses	\$ 3,118,604	\$ 268,699	\$ 443,650	\$ 3,830,953

YOUTH ON THEIR OWN
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,963,684	\$ 6,830,028
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	41,656	47,902
Unrealized (gains)	(49,255)	(45,287)
Realized losses	(360,345)	29,963
Donated securities	(58,073)	(25,244)
Change in value of beneficial interest in funds held by others	(35,414)	(1,427)
Bad debt expense - provision for change in allowance for doubtful bequests without donor restrictions and bequests receivable without donor restrictions written off	4,180	-
Bad debt loss - provision for change in allowance for doubtful bequests with donor restrictions receivable and pledges receivable written off	34,283	-
Provision for change in present value of beneficial interests in interests in trusts	(82,424)	1,719,476
Non-cash forgiveness of PPP refundable grant advance	(258,400)	-
(Increase) decrease in operating assets:		
Grants receivable	(22,248)	21,889
Pledges receivable	19,750	(61,500)
Bequests receivable	1,139,105	47,016
Prepaid expenses and other assets	(19,188)	(30,603)
Inventory	28,446	(39,970)
Increase (decrease) in operating liabilities:		
Accounts payable	25,956	(15,804)
Accrued expenses	7,685	45,886
Proceeds from sale of donated securities	59,112	25,290
Proceeds from PPP refundable grant advance	-	258,400
Less contributions of beneficial interests in trusts and beneficial interest in funds held by others restricted for long-term purposes	(8,211)	(7,652,234)
Net cash provided by operating activities	<u>2,430,299</u>	<u>1,153,781</u>
Cash flows from investing activities:		
Purchases of investments	(7,876,386)	(2,258,909)
Sales of investments	4,612,539	2,559,263
Distributions from beneficial interest in funds held by others	<u>1,866</u>	<u>800</u>
Net cash provided by investing activities	(3,261,981)	301,154
Change in cash and cash equivalents	(831,682)	1,454,935
Cash and cash equivalents, beginning of year	<u>2,413,307</u>	<u>958,372</u>
Cash and cash equivalents, end of year	<u>\$ 1,581,625</u>	<u>\$ 2,413,307</u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2021 or 2020.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

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.

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, 2021 AND 2020

NOTE 2 – Summary of significant accounting policies, continued

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 \$1,095,013 in uninsured cash at June 30, 2021.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements 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 \$12,960 and \$24,641 for the years ended June 30, 2021 and 2020, respectively.

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 \$23,048 and \$79,940, with an allowance of \$11,524 and \$39,970 at June 30, 2021 and 2020, respectively.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 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 well as beneficial interests in trusts that are restricted by the donor to be restricted in perpetuity. 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, 2021 AND 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.

No new accounting standards were adopted during the year ended June 30, 2021.

Standards updates issued but not effective as of June 30, 2021

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, 2021 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 when it is implemented.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The new standard is effective for fiscal years beginning after June 15, 2022 and may be adopted early. The Organization is assessing the effect this will have on the financial statements when implemented.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,581,625	\$ 2,413,307
Investments	6,221,784	2,549,376
Grants receivable	25,359	3,111
Pledges receivable	34,310	61,500
Bequests receivable	118,730	1,288,858
Beneficial interest in funds held by others	196,033	154,274
Beneficial interest in charitable remainder trust	6,006,682	5,924,258
Less amounts not available to be used within one year -		
Net assets with donor restrictions	<u>(7,513,353)</u>	<u>(7,481,437)</u>
Net financial assets available for general expenditures	<u>\$ 6,671,170</u>	<u>\$ 4,913,247</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. Certificates of deposit and government debt securities are valued using level 2 inputs consisting of fair values provided by the investment broker.

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 interests in trusts are 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, 2021 AND 2020

NOTE 4 – Fair value measurements and investments, continued

Fair values of assets measured on a recurring basis at June 30, 2021 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common stock	\$ 3,239,709	\$ -	\$ -	\$ 3,239,709
Equity funds	502,365	-	-	502,365
Fixed income funds	650,128	-	-	650,128
Close-end & exchange-traded funds	36,749	-	-	36,749
Certificates of deposit	-	250,367	-	250,367
Corporate bonds and notes	-	998,615	-	998,615
Municipal securities	-	187,749	-	187,749
Government securities	-	348,375	-	348,375
Asset-backed securities	-	7,727	-	7,727
Total investments	<u>4,428,951</u>	<u>1,792,833</u>	<u>-</u>	<u>6,221,784</u>
Beneficial interests in:				
Funds held by others	-	-	196,033	196,033
Trusts	-	-	6,006,682	6,006,682
	<u>\$ 4,428,951</u>	<u>\$ 1,792,833</u>	<u>\$ 6,202,715</u>	<u>\$ 12,424,499</u>

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	\$ 889,655	\$ -	\$ -	\$ 889,655
International equity funds	308,294	-	-	308,294
Fixed income funds	745,099	-	-	745,099
Mixed assets	57,053	-	-	57,053
Certificates of deposit at a brokerage	-	549,275	-	549,275
Total investments	<u>2,000,101</u>	<u>549,275</u>	<u>-</u>	<u>2,549,376</u>
Beneficial interests in:				
Funds held by others	-	-	154,274	154,274
Trusts	-	-	5,924,258	5,924,258
	<u>\$ 2,000,101</u>	<u>\$ 549,275</u>	<u>\$ 6,078,532</u>	<u>\$ 8,627,908</u>

Investment income for the years ended June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 99,181	\$ 103,916
Unrealized gains	49,255	45,287
Realized gains (losses)	360,345	(29,963)
Investment fees	(24,956)	(14,337)
Change in value of beneficial interest in funds held by others	35,414	1,427
	<u>\$ 519,239</u>	<u>\$ 106,330</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

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, 2021 and 2020:

	2021	2020
Beneficial interest in funds held by others:		
Fair value at the beginning of the year	\$ 154,274	\$ 145,147
Change in value	35,414	1,427
Additions	8,211	8,500
Distributions	(1,866)	(800)
Fair value at the end of the year	\$ 196,033	\$ 154,274
Beneficial interests in trusts:		
Beginning balance	\$ 5,924,258	\$ -
Initial recognition of beneficial interest	-	7,652,234
Change in provision for discount to present value	82,424	(1,727,976)
Ending balance	\$ 6,006,682	\$ 5,924,258

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. There was no allowance for doubtful bequests receivable as of June 30, 2021, because receivables had been collected in full in cash proceeds as of the date of report for the financial statements as of and for the year then ended.

Bequests receivable comprised the following at June 30, 2021:

	Without donor restrictions	With donor restrictions for purpose	Total
Bequests receivable	\$ 118,730	\$ -	\$ 118,730
Allowance for doubtful bequests receivable	-	-	-
	\$ 118,730	\$ -	\$ 118,730

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	(3,920)	(14,908)	(18,828)
	\$ 29,015	\$ 1,259,843	\$ 1,288,858

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

NOTE 6 – Property and equipment

Property and equipment at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Land	\$ 205,000	\$ 205,000
Buildings	801,667	801,667
Furniture and equipment	32,833	32,832
	1,039,500	1,039,499
Less accumulated depreciation	(276,649)	(234,992)
	\$ 762,851	\$ 804,507

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 were forgivable up to the full amount of the proceeds if various conditions are met. As a result, the loan fit the definition of a conditional contribution. YOTO applied for and received \$258,400 in PPP loan funds through a national bank in April of 2020. The full amount of the loan was reported as a refundable grant advance at June 30, 2020, as forgiveness had not been applied for as of that date. The loan was forgiven in full by the SBA during the year ended June 30, 2021. The loan forgiveness was recognized as grant revenue with donor restrictions in the accompany statement of activities for the year then ended, and refundable grants advances were \$0 as of that year end.

NOTE 8 – Beneficial interests in trusts

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, two previously revocable trusts for which YOTO was listed as a beneficiary became irrevocable. According to the trust documents, the primary beneficiary (an individual unrelated to the YOTO) will receive regular distributions from the income generated by trust assets throughout the duration of her life. The distributions from the charitable remainder trust to the primary beneficiary in any one year are limited to a 5% 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. Distributions from the survivor’s trust to the primary beneficiary consist of all income earned on trust assets. The primary beneficiary is not entitled to any of the principal of the assets held in the trust. 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 beneficial interests in the trusts 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. Activity during the year ended June 30, 2021 consists of a change in the discount to present value on the beneficial interests in the trusts.

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

NOTE 8 – Beneficial interests in trusts, continued

Present value of the beneficial interests in the trusts was as follows at June 30, 2021:

	<u>Charitable remainder trust</u>	<u>Survivor's trust</u>	<u>Total</u>
YOTO's share of value of assets in the trust at the date when the trust became irrevocable	\$ 1,565,412	\$ 6,078,322	\$ 7,643,734
Less discount to present value at 2.6%	<u>(503,505)</u>	<u>(1,133,547)</u>	<u>(1,637,052)</u>
Present value of beneficial interest in the trust	<u>\$ 1,061,907</u>	<u>\$ 4,944,775</u>	<u>\$ 6,006,682</u>

Present value of the beneficial interests in the trusts was as follows at June 30, 2020:

	<u>Charitable remainder trust</u>	<u>Survivor's trust</u>	<u>Total</u>
YOTO's share of value of assets in the trust at the date when the trust became irrevocable	\$ 1,565,412	\$ 6,078,322	\$ 7,643,734
Less discount to present value at 2.6%	<u>(526,787)</u>	<u>(1,192,689)</u>	<u>(1,719,476)</u>
Present value of beneficial interest in the trust	<u>\$ 1,038,625</u>	<u>\$ 4,885,633</u>	<u>\$ 5,924,258</u>

NOTE 9 – In-kind donations

In-kind revenues and expenses consisted of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Distribution of donated gift cards:		
Alumni services	\$ 1,360	\$ -
Back to School/Mini-Mall	-	735
Bill assistance	6,632	19,044
Internal use for YOTO operations	118	-
Stipends	5,815	14,265
Scholarships	-	2,642
Professional fees	-	1,000
Distribution of donated Back to School/Mini-Mall supplies	<u>98,767</u>	<u>57,076</u>
Total in-kind expenses	112,692	94,762
Change in unused gift cards included in other assets	(6,480)	16,618
Mini Mall inventory	(28,445)	39,970
Direct donor benefit costs	-	2,435
Total in-kind donations	<u>\$ 77,767</u>	<u>\$ 153,785</u>

In addition, distributions of purchased gift cards are included in expenses in the statement of functional expenses as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Scholarships and other assistance	\$ -	\$ 850
Stipends	145	14,970
Student events	-	4
Special needs	<u>36,680</u>	<u>109,891</u>
	<u>\$ 36,825</u>	<u>\$ 125,715</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

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 \$44,673 for the year ended June 30, 2021.

NOTE 11 – Net assets with donor restrictions

Net assets with donor restrictions consisted of the following at June 30, 2021 and 2020:

	2021	2020
Subject to the passage of time	\$ 24,910	\$ 10,500
Subject to both the passage of time and purpose restrictions:		
Contributions received to be expended in future periods for:		
Holiday appeal	-	1,100
Pizza protection parties	500	-
Stipends	-	22,917
Student referral incentives	500	-
University of Arizona sky stipends	5,760	-
Volunteer project	-	400
Bequest receivable restricted for career and workforce advancement	-	1,259,843
Grants and pledges receivable restricted for:		
Alumni services	9,400	-
Program Coordinator salary	-	45,000
Scholarships	-	6,000
Total net assets subject to time and purpose restrictions	16,160	1,335,260
Subject to purpose restrictions:		
Alumni services	1,242,895	10,000
Bill assistance	-	654
Client services	-	13,054
Mini Mall	-	3,147
Scholarship books	-	1,159
Scholarships	21,002	27,280
Stipends	3,820	-
Visual arts for students	1,852	1,852
Total net assets subject to purpose restrictions	1,269,569	57,146
Endowments:		
Subject to appropriation and expenditure - accumulated earnings	73,069	39,522
With donor restrictions perpetual in nature:		
Fischmann endowment	40,298	35,298
Redding endowments	82,665	79,453
Beneficial interest in charitable remainder trust	6,006,682	5,924,258
Total endowments	6,202,714	6,078,531
	\$ 7,513,353	\$ 7,481,437

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

NOTE 11 – Net assets with donor restrictions, continued

Activity in net assets with donor restrictions was as follows during the year ended June 30, 2021:

	Contributions	Investment income	Bad debt (loss)	Transfers	Releases/ appropriations
Subject to the passage of time	\$ 26,500	\$ -	\$ (6,840)	\$ -	\$ (5,250)
Subject to both the passage of time and purpose restrictions:					
To be expended in future periods for:					
Holiday appeal	-	-	-	-	(1,100)
Pizza protection parties	500	-	-	-	-
Stipends	-	-	-	(22,917)	-
Student referral incentives	500	-	-	-	-
U of A sky stipends	5,760	-	-	-	-
Video proposals	1,582	-	-	-	(1,582)
Volunteer project	-	-	-	-	(400)
Bequest receivable for career and workforce development	-	-	(26,843)	(1,233,000)	-
Grants and pledges receivable for:					
Alumni services	10,000	-	(600)	-	-
Program Coordinator salary	-	-	-	(45,000)	-
Scholarships	-	-	-	(6,000)	-
	<u>18,342</u>	<u>-</u>	<u>(27,443)</u>	<u>(1,306,917)</u>	<u>(3,082)</u>
Subject to purpose restrictions:					
Alumni services	-	-	-	1,233,000	(105)
Bill assistance	70,200	-	-	-	(70,854)
Client services	181,142	-	-	-	(194,196)
Covid relief	20,000	-	-	-	(20,000)
Domestic violence stipends	250,000	-	-	-	(250,000)
Gift cards	160	-	-	-	(160)
Mini Mall	12,600	-	-	-	(15,747)
Program Coordinator salary	74,050	-	-	45,000	(119,050)
Scholarship books	-	-	-	-	(1,159)
Scholarships	16,088	-	-	6,000	(28,366)
Stipends	399,568	-	-	22,917	(418,665)
Student portal	67,500	-	-	-	(67,500)
Student referral incentives	1,650	-	-	-	(1,650)
YDHP - Application	5,619	-	-	-	(5,619)
YDHP - Coordination	50,376	-	-	-	(50,376)
YDHP - Development	3,057	-	-	-	(3,057)
YDHP - Stipends	7,681	-	-	-	(7,681)
	<u>1,159,691</u>	<u>-</u>	<u>-</u>	<u>1,306,917</u>	<u>(1,254,185)</u>
Endowments:					
Accumulated earnings subject to appropriation and expenditure	-	35,414	-	-	(1,867)
With perpetual donor restrictions:					
Fischmann endowment	5,000	-	-	-	-
Redding endowments	3,212	-	-	-	-
Beneficial interests in trusts	82,424	-	-	-	-
Total endowments	<u>90,636</u>	<u>35,414</u>	<u>-</u>	<u>-</u>	<u>(1,867)</u>
	<u>\$ 1,295,169</u>	<u>\$ 35,414</u>	<u>\$ (34,283)</u>	<u>\$ -</u>	<u>\$ (1,264,384)</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

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:

	Contributions	Investment income	Bad debt recovery	Transfers	Releases/ appropriations
Subject to the passage of time	\$ 10,500	\$ -	\$ -	\$ -	\$ -
Subject to both the passage of time and purpose restrictions:					
To be expended in future periods for:					
Stipends	25,000	-	-	-	(2,083)
Holiday appeal	1,100	-	-	-	-
Volunteer project	400	-	-	-	-
Bequest receivable for career & workforce development	74,751	-	185,092	-	-
Grants and pledges receivable for:					
Bill assistance	-	-	-	(10,000)	-
Stipends	-	-	-	(10,000)	-
Scholarships	6,000	-	-	-	-
Program Coordinator salary	45,000	-	-	-	-
	<u>152,251</u>	<u>-</u>	<u>185,092</u>	<u>(20,000)</u>	<u>(2,083)</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	660,898	-	-	10,000	(693,398)
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>1,202,279</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>(1,307,370)</u>
Endowments:					
Accumulated earnings subject to appropriation and expenditure	-	1,427	-	-	(800)
With perpetual donor restrictions:					
Fischmann endowment	5,000	-	-	-	-
Redding endowment	3,500	-	-	-	-
Beneficial interests in trusts	5,924,258	-	-	-	-
Total endowments	<u>5,932,758</u>	<u>1,427</u>	<u>-</u>	<u>-</u>	<u>(800)</u>
	<u>\$ 7,297,788</u>	<u>\$ 1,427</u>	<u>\$ 185,092</u>	<u>\$ -</u>	<u>\$ (1,310,253)</u>

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 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, 2021.

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. Additionally, YOTO has endowments consisting of beneficial interests in trusts. See Note 8 for additional information on these beneficial interests, including method of valuation. 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, 2021:

	With donor restrictions		
	Accumulated earnings	Restricted in perpetuity	Total
Beginning balance	\$ 39,522	\$ 6,039,009	\$ 6,078,531
Contributions	-	90,636	90,636
Change in value of beneficial interest in funds held by others	35,414	-	35,414
Distributions	(1,867)	-	(1,867)
Ending balance	\$ 73,069	\$ 6,129,645	\$ 6,202,714

Net assets in the endowment funds consisted of the following at June 30, 2020:

	With donor restrictions		
	Accumulated earnings	Restricted in perpetuity	Total
Beginning balance	\$ 38,895	\$ 106,251	\$ 145,146
Contributions	-	5,932,758	5,932,758
Change in value of beneficial interest in funds held by others	1,427	-	1,427
Distributions	(800)	-	(800)
Ending balance	\$ 39,522	\$ 6,039,009	\$ 6,078,531

YOUTH ON THEIR OWN
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2021 AND 2020

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.

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 \$8,871 and \$9,570 for the years ended June 30, 2021 and 2020, respectively. Future minimum payments of the operating leases are \$684 for the year ending June 30, 2022 and \$627 for the year ending June 30, 2023. YOTO also leases storage space on a month-to-month basis. Rent expense for storage space totaled \$15,153 for the year ended June 30, 2021.

NOTE 15 – Prior period adjustment

During the year ended June 30, 2020, YOTO was notified that it was a beneficiary of a trust that had become irrevocable during the year and YOTO's beneficial interest in that trust was reported as an asset in the statement of financial position as of that year end. During the year ended June 30, 2021, YOTO was notified that there were actually two trusts for which it was a beneficiary as of June 30, 2020. The following adjustments to net assets as of June 30, 2020 were corrected during the year ended June 30, 2021 to record the beneficial interest of the trust it was not aware of when the financial statements as of and for the year ended June 30, 2020 were originally issued:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Net assets at June 30, 2020, as originally stated	\$ 5,444,319	\$ 5,907,162	\$ 11,351,481
Overstatement of releases from restriction	(22,917)	22,917	-
Understatement of beneficial interest in trust assets	-	1,052,912	1,052,912
Overstatement of discount to present value for beneficial interests in trusts	-	498,446	498,446
Net assets at June 30, 2020, as restated	<u>\$ 5,421,402</u>	<u>\$ 7,481,437</u>	<u>\$ 12,902,839</u>

NOTE 16 – Subsequent events

During the year ended June 30, 2021, YOTO entered into a purchase agreement to acquire real property for its future offices. The purchase price was \$1,575,000 and prior to year end, YOTO made an earnest money deposit of \$25,000, reported as an asset on the accompanying statement of financial position as of that year end. The sale had not closed as of the date the financial statements were available to be issued.

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 November 22, 2021, which is the date the financial statements were available to be issued.