

YOUTH ON THEIR OWN

Audited Financial Statements

For the years ended June 30, 2023 and 2022

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## YOUTH ON THEIR OWN

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Youth on Their Own

### Opinion

We have audited the accompanying financial statements of Youth on Their Own (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Youth on Their Own and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth on Their Own's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



## INDEPENDENT AUDITOR'S REPORT, Continued

### Auditor's Responsibilities for the Audits of the Financial Statements, Continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youth on Their Own's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth on Their Own's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*LUDWIG KIEFER & PARTNERS, PLLC*

November 16, 2023

YOUTH ON THEIR OWN  
STATEMENTS OF FINANCIAL POSITION  
For the years ended June 30, 2023 and 2022

ASSETS

|  | 2023          | 2022         |
|--|---------------|--------------|
| Current assets:  |               |              |
| Cash and cash equivalents                                | \$ 976,077    | \$ 1,003,222 |
| Unconditional promises to give, current portion          | 76,394        | 62,500       |
| Grants receivable  | 14,346        | -            |
| Bequests receivable                                      | 1,302         | 25,775       |
| Prepaid expenses and other current assets                | 10,885        | 689          |
| Inventory, net   | 55,366        | 15,050       |
| Total current assets                                     | 1,134,370     | 1,107,236    |
| Unconditional promises to give, non-current portion, net | 11,075        | -            |
| Investments  | 5,256,242     | 4,785,265    |
| Property and equipment, net                              | 3,406,666     | 2,441,967    |
| Beneficial interest in funds held by others              | 199,990       | 178,933      |
| Beneficial interest in trusts                            | 6,091,658     | 5,977,707    |
| Total assets   | \$ 16,100,001 | 14,491,108   |

LIABILITIES AND NET ASSETS

|   |               |               |
|---|---------------|---------------|
| Current liabilities:                        |               |               |
| Accounts payable                            | \$ 31,203     | \$ 61,544     |
| Accrued expenses                            | 73,488        | 125,521       |
| Line of credit                              | 849,156       | 18,654        |
| Total current liabilities                   | 953,847       | 205,719       |
| Total liabilities                           | 953,847       | 205,719       |
| Net assets:                                 |               |               |
| Without donor restrictions:                 |               |               |
| Expended for property and equipment         | 2,557,510     | 2,423,313     |
| Available for operations                    | 4,943,958     | 4,410,984     |
| Total net assets without donor restrictions | 7,501,468     | 6,834,297     |
| With donor restrictions:                    |               |               |
| Purpose restrictions                        | 1,325,569     | 1,294,452     |
| Time-restricted for future periods          | 27,469        | -             |
| Subject to appropriation and expenditure    | 62,242        | 50,185        |
| Perpetual in nature                         | 6,229,406     | 6,106,455     |
| Total net assets with donor restrictions    | 7,644,686     | 7,451,092     |
| Total net assets                            | 15,146,154    | 14,285,389    |
| Total liabilities and net assets            | \$ 16,100,001 | \$ 14,491,108 |

See independent auditor's report  
and notes to financial statements.

YOUTH ON THEIR OWN  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2023

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---|-------------------------------|----------------------------|---------------|
| Revenue and support:  |                               |                            |               |
| Support:  |                               |                            |               |
| Contributions   | \$ 2,359,913                  | \$ 958,750                 | \$ 3,318,663  |
| Foundation grants   | 978,633                       | -                          | 978,633       |
| Government grants   | -                             | 257,694                    | 257,694       |
| Special events  | 58,316                        | -                          | 58,316        |
| In-kind donations   | 51,132                        | -                          | 51,132        |
| Other income  | 9,490                         | -                          | 9,490         |
| Change in value of beneficial interest in funds<br>held by others | -                             | 13,183                     | 13,183        |
| Change in value of beneficial interest in trusts                  | -                             | 113,951                    | 113,951       |
| Investment income, net  | 465,340                       | -                          | 465,340       |
| Total support   | 3,922,824                     | 1,343,578                  | 5,266,402     |
| Net assets released from restrictions:                            | 1,149,984                     | (1,149,984)                | -             |
| Total revenue and support   | 5,072,808                     | 193,594                    | 5,266,402     |
| Expenses:   |                               |                            |               |
| Program services  | 3,523,124                     | -                          | 3,523,124     |
| Administrative  | 285,988                       | -                          | 285,988       |
| Fund-raising  | 557,423                       | -                          | 557,423       |
| Total functional expenses   | 4,366,535                     | -                          | 4,366,535     |
| Special events - cost of direct<br>donor benefits                 | 39,102                        | -                          | 39,102        |
| Total expenses  | 4,405,637                     | -                          | 4,405,637     |
| Change in net assets  | 667,171                       | 193,594                    | 860,765       |
| Net assets, beginning of year                                     | 6,834,297                     | 7,451,092                  | 14,285,389    |
| Net assets, end of year   | \$ 7,501,468                  | \$ 7,644,686               | \$ 15,146,154 |

See independent auditor's report  
and notes to financial statements.

YOUTH ON THEIR OWN  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2022

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---|-------------------------------|----------------------------|---------------|
| Revenue and support:  |                               |                            |               |
| Support:  |                               |                            |               |
| Contributions   | \$ 2,427,801                  | \$ 586,649                 | \$ 3,014,450  |
| Foundation grants   | 947,260                       | -                          | 947,260       |
| Grant revenue - ERC   | 402,394                       | -                          | 402,394       |
| Government grants   | -                             | 180,961                    | 180,961       |
| Other Income  | 14,536                        | -                          | 14,536        |
| In-kind donations   | 11,666                        | -                          | 11,666        |
| Change in value of beneficial interest in funds<br>held by others | -                             | (22,100)                   | (22,100)      |
| Change in value of beneficial interest in trusts                  | -                             | (28,975)                   | (28,975)      |
| Investment loss, net  | (929,759)                     | -                          | (929,759)     |
| Total support   | 2,873,898                     | 716,535                    | 3,590,433     |
| Net assets released from restrictions:                            | 1,181,324                     | (778,796)                  | 402,528       |
| Total revenue and support   | 4,055,222                     | (62,261)                   | 3,992,961     |
| Expenses:   |                               |                            |               |
| Program services  | 3,696,464                     | -                          | 3,696,464     |
| Administrative  | 343,213                       | -                          | 343,213       |
| Fund-raising  | 534,418                       | -                          | 534,418       |
| Total expenses  | 4,574,095                     | -                          | 4,574,095     |
| Change in net assets  | (518,873)                     | (62,261)                   | (581,134)     |
| Net assets, beginning of year                                     | 7,353,170                     | 7,513,353                  | 14,866,523    |
| Net assets, end of year   | \$ 6,834,297                  | \$ 7,451,092               | \$ 14,285,389 |

See independent auditor's report  
and notes to financial statements.

YOUTH ON THEIR OWN  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2023

|                                   | Program<br>Services | Administrative    | Fund-raising      | Total               |
|-----------------------------------|---------------------|-------------------|-------------------|---------------------|
| Personnel:                        |                     |                   |                   |                     |
| Salaries and wages                | \$ 1,152,246        | \$ 189,553        | \$ 328,123        | \$ 1,669,922        |
| Payroll taxes and benefits        | 251,396             | 38,696            | 65,157            | 355,249             |
| Total personnel                   | 1,403,642           | 228,249           | 393,280           | 2,025,171           |
| Stipends                          | 1,132,543           | -                 | -                 | 1,132,543           |
| Student special needs             | 255,319             | 63                | 5                 | 255,387             |
| Supplies                          | 232,560             | 1,762             | 1,906             | 236,228             |
| Professional fees                 | 99,886              | 5,994             | 27,417            | 133,297             |
| Scholarships and other assistance | 109,677             | -                 | -                 | 109,677             |
| Depreciation and amortization     | 85,951              | 1,692             | 3,048             | 90,691              |
| Training and education            | 35,585              | 4,236             | 2,845             | 42,666              |
| Bank service charges (refunds)    | 4,062               | 150               | 34,995            | 39,207              |
| Printing and reproduction         | 3,674               | -                 | 32,834            | 36,508              |
| Telephone                         | 24,725              | 2,294             | 4,220             | 31,239              |
| Insurance                         | 21,427              | 2,272             | 4,061             | 27,760              |
| Meals and entertainment           | 17,150              | 5,263             | 5,128             | 27,541              |
| Dues and subscriptions            | 11,606              | 3,410             | 12,214            | 27,230              |
| Repairs and maintenance           | 12,000              | 13,613            | 967               | 26,580              |
| Equipment rental                  | 21,064              | 457               | 3,290             | 24,811              |
| Travel                            | 13,990              | 975               | 3,062             | 18,027              |
| Advertising                       | 863                 | -                 | 15,379            | 16,242              |
| Interest expense                  | -                   | 15,433            | -                 | 15,433              |
| Student events                    | 14,228              | -                 | -                 | 14,228              |
| Utilities                         | 11,846              | 770               | 1,377             | 13,993              |
| Postage and delivery              | 58                  | 324               | 10,791            | 11,173              |
| Contributions and grants          | 8,000               | -                 | -                 | 8,000               |
| Conferences and meetings          | 1,275               | 175               | 516               | 1,966               |
| Miscellaneous                     | 1,993               | (1,144)           | 88                | 937                 |
|                                   | <u>\$ 3,523,124</u> | <u>\$ 285,988</u> | <u>\$ 557,423</u> | <u>\$ 4,366,535</u> |

See independent auditor's report  
and notes to financial statements.



YOUTH ON THEIR OWN  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2022

|                                   | Program<br>Services | Administrative    | Fund-raising      | Total               |
|-----------------------------------|---------------------|-------------------|-------------------|---------------------|
| Personnel:                        |                     |                   |                   |                     |
| Salaries and wages                | \$ 1,046,184        | \$ 183,485        | \$ 277,055        | \$ 1,506,724        |
| Payroll taxes and benefits        | 225,721             | 35,580            | 51,357            | 312,658             |
| Total personnel                   | 1,271,905           | 219,065           | 328,412           | 1,819,382           |
| Stipends                          | 1,271,616           | -                 | -                 | 1,271,616           |
| Student special needs             | 406,761             | -                 | -                 | 406,761             |
| Supplies                          | 165,710             | 5,420             | 24,267            | 195,397             |
| Contributions and grants          | 135,000             | -                 | -                 | 135,000             |
| Professional fees                 | 77,501              | 14,533            | 39,893            | 131,927             |
| Scholarships and other assistance | 116,972             | -                 | -                 | 116,972             |
| Depreciation and amortization     | 98,499              | 2,791             | 4,510             | 105,800             |
| Repairs and maintenance           | 12,945              | 66,670            | 1,616             | 81,231              |
| Printing and reproduction         | 1,034               | -                 | 42,432            | 43,466              |
| Training and education            | 14,067              | 17,777            | 4,807             | 36,651              |
| Bank service charges (refunds)    | (2,617)             | 1,867             | 35,528            | 34,778              |
| Dues and subscriptions            | 19,245              | 1,352             | 12,230            | 32,827              |
| Telephone                         | 24,670              | 2,336             | 3,691             | 30,697              |
| Meals and entertainment           | 18,684              | 4,272             | 4,835             | 27,791              |
| Advertising                       | 3,209               | -                 | 12,215            | 15,424              |
| Student events                    | 15,328              | -                 | -                 | 15,328              |
| Equipment rental                  | 14,161              | 429               | 684               | 15,274              |
| Insurance                         | 11,679              | 1,349             | 2,185             | 15,213              |
| Utilities                         | 11,494              | 787               | 1,275             | 13,556              |
| Postage and delivery              | 125                 | 251               | 11,460            | 11,836              |
| Travel                            | 6,891               | 2,102             | 884               | 9,877               |
| Miscellaneous                     | 1,585               | 2,212             | 4,488             | 8,285               |
| Interest expense                  | -                   | -                 | 647               | 647                 |
| Conferences and meetings          | -                   | -                 | 549               | 549                 |
| Bad debt recovery                 | -                   | -                 | (2,190)           | (2,190)             |
|                                   | <u>\$ 3,696,464</u> | <u>\$ 343,213</u> | <u>\$ 534,418</u> | <u>\$ 4,574,095</u> |

See independent auditor's report  
and notes to financial statements.

YOUTH ON THEIR OWN  
STATEMENT OF CASH FLOWS  
For the years ended June 30, 2023 and 2022

|  | 2023        | 2022         |
|--|-------------|--------------|
| Cash flows from operating activities:  |             |              |
| Change in net assets   | \$ 860,765  | \$ (581,134) |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities:                     |             |              |
| Depreciation and amortization  | 90,691      | 105,800      |
| Net realized and unrealized loss on investments  | (384,820)   | 1,026,614    |
| Change in value of beneficial interest in funds held by others   | (13,183)    | 22,100       |
| Change in value of beneficial interests in trusts  | (113,951)   | 28,975       |
| Changes in operating assets and liabilities:   |             |              |
| Unconditional promises to give   | (24,969)    | (28,190)     |
| Grants receivable  | (14,346)    | 25,359       |
| Bequests receivable  | 24,473      | 92,955       |
| Prepaid expenses and other current assets  | (10,196)    | 97,064       |
| Inventory  | (40,316)    | (3,526)      |
| Accounts payable   | (30,341)    | (19,692)     |
| Accrued expenses   | (52,033)    | 16,629       |
| Less contributions of beneficial interests in trusts<br>and funds held by others restricted for long-term purposes | (9,000)     | (5,000)      |
| Total adjustments  | (577,991)   | 1,359,088    |
| Net cash provided by operating activities  | 282,774     | 777,954      |
| Cash flows from investing activities:  |             |              |
| Purchases of investments   | (1,307,167) | (1,330,118)  |
| Sales of investments   | 1,222,136   | 1,740,023    |
| Purchases of property and equipment  | (209,888)   | (1,488,442)  |
| Net cash used in investing activities  | (294,919)   | (1,078,537)  |
| Cash flows from financing activities:  |             |              |
| Borrowings on line of credit   | -           | -            |
| Repayments on line of credit   | (15,000)    | (277,820)    |
| Net cash provided by financing activities  | (15,000)    | (277,820)    |
| Change in cash and cash equivalents  | (27,145)    | (578,403)    |
| Cash and cash equivalents, beginning of year   | 1,003,222   | 1,581,625    |
| Cash and cash equivalents, end of year   | \$ 976,077  | \$ 1,003,222 |
| Supplemental cash flow information:  |             |              |
| Cash paid for taxes  | \$ -        | \$ -         |
| Cash paid for interest   | \$ 15,433   | \$ 548       |
| Schedule of non-cash investing and financing activities:   |             |              |
| Construction contractor paid with line of credit draws   | \$ 845,502  | \$ 296,474   |

See independent auditor's report  
and notes to financial statements.

YOUTH ON THEIR OWN  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2023 and 2022

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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:

*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.

2. Summary of Significant Accounting Policies

Financial Statement Presentation and Contributions

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

YOTO reports contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restrictions ends or purpose restriction is satisfied) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are recorded as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

See independent auditor's report.

YOUTH ON THEIR OWN  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2023 and 2022

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2. Summary of Significant Accounting Policies, Continued

Revenue, Revenue Recognition, and Refundable Grant Advances, continued

YOTO was eligible for the Employee Retention Credit ("ERC") under the CARES act. During the year ended June 30, 2022, YOTO received \$402,394 in ERC grant revenue, which represents refunds received from filing Form 941-X Adjusted Employer's Quarterly Federal Tax Return for the quarters ended June 30, 2021 and September 30, 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

YOTO considers cash and highly liquid investments with a maturity of three months or less to be cash equivalents. YOTO maintains its cash in bank deposit accounts which may exceed federally insured limits. The National Credit Union Administration (NCUA) insures cash accounts at banks up to \$250,000 per institution. At June 30, 2023 and 2022 YOTO had \$444,523 and \$492,994, respectively, on deposit in excess NCUA limitations. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Income Tax Status

YOTO is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and from Arizona income tax under Arizona Revised Statute section 43-1201(4). Therefore, no provision has been made for income taxes in the accompanying financial statements. In addition, YOTO qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). There were no taxes paid by YOTO during the years ended June 30, 2023 and 2022.

YOTO's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2023, there were no uncertain tax positions that are potentially material.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. For the year ended June 30, 2023, the discount on these amounts are computed using an interest rate of 6.0%. Amortization of the discount is included in contribution revenue. Management uses the allowance method to account for uncollectible unconditional promises to give. Management believes all unconditional promises to give are fully-collectible. Therefore, no allowance for uncollectible promises to give has been recorded at June 30, 2023 and 2022.

See independent auditor's report.

## YOUTH ON THEIR OWN

### NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2023 and 2022

#### 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 statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. The Securities Investor Protection Corporation (SIPC) protects investments up to \$500,000 per institution. However, SIPC does not protect against losses in market value. At June 30, 2023 and 2022, YOTO had \$4,946,361 and \$4,285,265, respectively, on deposit in excess of SIPC limitations. It is the opinion of management that the solvency of the referenced brokerage institutions is not of concern at this time.

##### Inventory

Inventory at the Mini Mall consists primarily of donated and purchased food, school supplies and hygiene products and are stated at the lower of cost or market determined by the average cost method. 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. As of ended June 30, 2023 and 2022, the fair value of the inventory, net of an allowance of \$55,366 and \$15,060, respectively, was \$55,366 and \$15,050, 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. YOTO capitalizes items with a value of \$5,000 or more with a useful life exceeding one year. Depreciation is computed using the straight-line method over the estimated useful lives which range from two to 39 years.

##### Donated Services and Materials

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Although YOTO utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

##### Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2023 and 2022 was \$16,242 and \$15,424, respectively.

See independent auditor's report.

YOUTH ON THEIR OWN  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2023 and 2022

2. Summary of Significant Accounting Policies, Continued

Functional 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 all allocated based on a ratio of time spent on each function for all employees.

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 statement of financial position date, are comprised of:

|  | 2023         | 2022         |
|--|--------------|--------------|
| Cash and cash equivalents  | \$ 976,077   | \$ 1,003,222 |
| Unconditional promises to give, current portion  | 76,394       | 62,500       |
| Grants receivable  | 14,346       | 25,775       |
| Bequests receivable  | 1,302        | 25,775       |
| Inventory, net   | 55,366       | 15,050       |
| Total financial assets available within one year                                       | 1,123,485    | 1,132,322    |
| Total financial assets available to management for general expenditure within one year | \$ 1,123,485 | \$ 1,132,322 |

YOTO's financial assets available within one year are not reduced by any net assets with donor-imposed restrictions since those net assets are on deposit as part of investments, beneficial interest in funds held by others and beneficial interests in trusts and are not included in the assets listed above. 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.

4. Unconditional Promises to Give

Unconditional promises to give were scheduled to be repaid in future years as follows as of June 30,:

|                                      | 2023      | 2022      |
|--------------------------------------|-----------|-----------|
| 2023                                 | \$ -      | \$ 62,500 |
| 2024                                 | 76,394    | -         |
| 2025                                 | 11,576    | -         |
| Total unconditional promises to give | 87,970    | 62,500    |
| Less discount to present value at 6% | (501)     | -         |
| Unconditional promises to give, net  | 87,469    | 62,500    |
| Less current portion                 | 76,394    | (62,500)  |
| Non-current portion                  | \$ 11,075 | \$ -      |

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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, 2023 because receivables had been collected in-full as of the date of report for the financial statements as of June 30, 2023.

6. Investments

Investments, stated at fair value, consist of the following at June 30,:

|                         | 2023                | 2022                |
|-------------------------|---------------------|---------------------|
| Equities                | \$ 3,408,286        | \$ 2,874,305        |
| Fixed income            | 1,826,264           | 1,910,960           |
| Asset-backed securities | 21,692              | -                   |
| Total investments       | <u>\$ 5,256,242</u> | <u>\$ 4,785,265</u> |

Investment income (loss) is comprised of the following for the year ended June 30,:

|  | 2023              | 2022                |
|--|-------------------|---------------------|
| Interest and dividends                   | \$ 122,193        | \$ 143,761          |
| Realized and unrealized gain (loss), net | 384,820           | (1,026,614)         |
| Investment management fees               | (41,673)          | (46,906)            |
| Investment income (loss), net            | <u>\$ 465,340</u> | <u>\$ (929,759)</u> |

7. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that YOTO has the ability to access.

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7. Fair Value Measurements, Continued

- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

- *Equities and fixed income:* Valued at fair value based on national trade listing.
- *Asset-backed securities:* Valued at fair value of the underlying assets in the pool.
- *Beneficial interest in trusts held by others and trusts:* Valued at the fair value of the underlying investments as reported by the third parties.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while YOTO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| Investments at Fair Value as of June 30, 2023 |                     |             |                     |                     |
|---|---------------------|-------------|---------------------|---------------------|
|   | Level 1             | Level 2     | Level 3             | Total               |
| Equities                                      | \$ 3,408,286        | \$ -        | \$ -                | \$ 3,408,286        |
| Fixed income                                  | 1,826,264           | -           | -                   | 1,826,264           |
| Asset backed securities                       | -                   | -           | 21,692              | 21,692              |
| Total investments                             | <u>\$ 5,234,550</u> | <u>\$ -</u> | <u>\$ 21,692</u>    | <u>\$ 5,256,242</u> |
| Beneficial interest in funds held by others   | <u>\$ -</u>         | <u>\$ -</u> | <u>\$ 199,990</u>   | <u>\$ 199,990</u>   |
| Beneficial interest in trusts                 | <u>\$ -</u>         | <u>\$ -</u> | <u>\$ 6,091,658</u> | <u>\$ 6,091,658</u> |

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7. Fair Value Measurements, Continued

Fair values of assets measured on a recurring basis are:

| Investments at Fair Value as of June 30, 2022 |                     |             |              |                     |
|---|---------------------|-------------|--------------|---------------------|
|   | Level 1             | Level 2     | Level 3      | Total               |
| Equities                                      | \$ 2,874,305        | \$ -        | \$ -         | \$ 2,874,305        |
| Fixed income                                  | 1,910,960           | -           | -            | 1,910,960           |
| Total investments                             | <u>\$ 4,785,265</u> | <u>\$ -</u> | <u>\$ -</u>  | <u>\$ 4,785,265</u> |
| Beneficial interest in funds held by others   | \$ -                | \$ -        | \$ 178,933   | \$ 178,933          |
| Beneficial interest in trusts                 | \$ -                | \$ -        | \$ 5,977,707 | \$ 5,977,707        |

Activity in assets measured on a recurring basis using level 3 inputs consists of the following for the year ended June 30, 2023:

|                                     | Asset-backed securities | Beneficial interests in funds held by others | Beneficial interests in trusts |
|-------------------------------------|-------------------------|--|--------------------------------|
| Balance, beginning of year          | \$ -                    | \$ 178,933                                   | \$ 5,977,707                   |
| Contributions/purchases             | 23,396                  | 9,000  | -                              |
| Unrealized loss                     | (1,704)                 | -  | -                              |
| Grants                              | -                       | (1,126)                                      | -                              |
| Change in beneficial interest       | -                       | 13,183                                       | -                              |
| Change in discount to present value | -                       | -  | 113,951                        |
|                                     | <u>\$ 21,692</u>        | <u>\$ 199,990</u>                            | <u>\$ 6,091,658</u>            |

Activity in assets measured on a recurring basis using level 3 inputs consists of the following for the year ended June 30, 2022:

|                                     | Beneficial interests in funds held by others | Beneficial interests in trusts |
|-------------------------------------|--|--------------------------------|
| Balance, beginning of year          | \$ 196,033                                   | \$ 6,006,682                   |
| Contributions                       | 5,000  | -                              |
| Change in beneficial interest       | (22,100)                                     | -                              |
| Change in discount to present value | -  | (28,975)                       |
|                                     | <u>\$ 178,933</u>                            | <u>\$ 5,977,707</u>            |

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# YOUTH ON THEIR OWN

## NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2023 and 2022

### 8. Property and Equipment

Property and equipment consists of the following at June 30,:

|  | 2023         | 2022         |
|--|--------------|--------------|
| Buildings and improvements                     | \$ 1,996,904 | \$ 1,996,904 |
| Land   | 562,019      | 562,018      |
| Furniture, fixtures and equipment              | 32,832       | 32,832       |
| Portal software                                | 214,088      | 214,088      |
| Construction in progress                       | 1,073,963    | 18,573       |
| Total property and equipment                   | 3,879,806    | 2,824,415    |
| Less accumulated depreciation and amortization | (473,140)    | (382,448)    |
| Property and equipment, net                    | \$ 3,406,666 | \$ 2,441,967 |

Construction in progress at June 30, 2023 and 2022 includes costs incurred in connection with the renovation of newly purchased buildings located at 2525 and 2509 N. Country Club Rd. The estimated total cost of the project is \$1,700,000 and includes architectural design, permitting, construction, furniture and equipment. The project is expected to be completed by November 5, 2023.

### 9. 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 contributions until such time as the instruments become irrevocable and the amount to be received can be reasonably estimated.

YOTO is the beneficiary of two irrevocable trusts. According to the trust documents, the primary beneficiary (an individual unrelated to YOTO) will receive regular distributions from the income generated by the 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 the lesser of 5% of the fair value of the trust assets at the previous year end, or the income generated by the trust assets in the previous year. 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 eight charitable organizations named in the agreement, to be held by each organization as a permanent endowment.

YOTO recorded the initial beneficial interests in the trusts and recognized contribution revenue with donor restrictions perpetual in nature in accordance with the trust documents. The amount recognized was the estimated fair value of its beneficial interest based on YOTO's share of the present value of the assets held in the trusts, using an estimated 2.6% interest rate, as of the date it became irrevocable and utilizing Internal Revenue Service guidelines and factor tables for calculating the present value of a remainder. Changes in the fair value of YOTO's interest in the trust assets are reflected as gains or losses in the statement of activities in the period they occur. The beneficial interests in the trusts as of June 30, 2023 and 2022, was \$6,091,658 and \$5,977,707, respectively, and is reported net of the estimated discount to net present value of \$1,957,663 and \$1,564,047, respectively.

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NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2023 and 2022

10. Line of Credit

YOTO has a revolving line of credit agreement with a financial institution that is collateralized by securities on deposit with that financial institution. Draws on the line can be either variable or fixed at YOTO's option. The variable rate loans are based on the 30-day SOFR average, which is the secured overnight financing rate compounded in arrears over the previous 30 days as published, plus the applicable percentage spread plus .11%. All of the draws as of June 30, 2023 are variable rate draws. At June 30, 2023 and 2022, the outstanding balance on the line of credit was \$849,156 and \$18,654, respectively.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

|  | 2023                | 2022                |
|--|---------------------|---------------------|
| Subject to expenditure for purpose:              |                     |                     |
| Alumni services                                  | \$ 1,193,000        | \$ 1,199,324        |
| Building funds                                   | 85,000              | -                   |
| Client services                                  | 3,560               | 52,500              |
| Mini Mall  | 7,500               | 5,000               |
| Youth services salaries                          | -                   | 5,000               |
| Scholarships                                     | 3,389               | 1,888               |
| Stipends   | 33,120              | 30,740              |
| Total subject to purpose restrictions            | 1,325,569           | 1,294,452           |
| Subject to expenditure in future periods         | 27,469              | -                   |
| Endowments:                                      |                     |                     |
| Subject to appropriation and expenditure:        |                     |                     |
| Accumulated earnings on original endowment gifts | 62,242              | 50,185              |
| Not subject to spending policy or appropriation: |                     |                     |
| Beneficial interest in funds held by others      | 137,748             | 128,748             |
| Beneficial interest in trusts                    | 6,091,658           | 5,977,707           |
| Net assets with donor restrictions               | <u>\$ 7,644,686</u> | <u>\$ 7,451,092</u> |

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For the years ended June 30, 2023 and 2022

11. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2023:

|   | Contributions       | Change in<br>Beneficial<br>Interest in Funds<br>Held by Others/<br>Trusts | Releases              |
|---|---------------------|---|-----------------------|
| Subject to expenditure for purpose:   |                     |   |                       |
| Alumni services   | \$ 20,000           | \$ -  | \$ (26,325)           |
| Building funds  | 100,100             | -   | (15,100)              |
| Client services   | 561,486             | -   | (611,176)             |
| Mini Mall   | 19,245              | -   | (16,745)              |
| PC salary   | 132,000             | -   | (132,000)             |
| Youth services salaries   | -                   | -   | (5,000)               |
| Scholarships  | 4,001               | -   | (2,500)               |
| Stipends  | 342,393             | -   | (340,012)             |
| Other programs  | 750                 | -   | -                     |
|   | <u>1,179,975</u>    | <u>-</u>  | <u>(1,148,858)</u>    |
| Subject to the passage of time  | 27,469              | -   | -                     |
| Endowments:   |                     |   |                       |
| Subject to appropriation and<br>expenditure - accumulated earnings<br>on original endowment gifts | -                   | 13,183  | (1,126)               |
| Not subject to spending policy<br>or appropriation:   |                     |   |                       |
| Beneficial interest in funds held<br>by others  | 9,000               | -   | -                     |
| Beneficial interest in trusts   | -                   | 113,951   | -                     |
| Net assets with donor restrictions  | <u>\$ 1,216,444</u> | <u>\$ 127,134</u>   | <u>\$ (1,149,984)</u> |

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11. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2022, continued:

|   | Contributions     | Change in<br>Beneficial<br>Interest in Funds<br>Held by Others/<br>Trusts | Releases            |
|---|-------------------|---|---------------------|
| Subject to expenditure for purpose:   |                   |   |                     |
| Alumni services   | \$ -              | \$ -  | \$ (52,970)         |
| Client services   | 450,076           | -   | (397,576)           |
| Mini Mall   | 34,317            | -   | (29,317)            |
| Youth services salaries   | 12,500            | -   | (7,500)             |
| Scholarships  | 15,000            | -   | (34,114)            |
| Stipends  | 248,640           | -   | (227,480)           |
| Other purposes  | 2,077             | -   | (4,929)             |
|   | <u>762,610</u>    | <u>-</u>  | <u>(753,886)</u>    |
| Subject to the passage of time  | -                 | -   | (24,910)            |
| Endowments:   |                   |   |                     |
| Subject to appropriation and<br>expenditure - accumulated earnings<br>on original endowment gifts | -                 | (22,100)  | -                   |
| Not subject to spending policy<br>or appropriation:   |                   |   |                     |
| Beneficial interest in funds held<br>by others  | 5,000             | -   | -                   |
| Beneficial interest in trusts   | -                 | (28,975)  | -                   |
| Net assets with donor restrictions  | <u>\$ 767,610</u> | <u>\$ (51,075)</u>  | <u>\$ (778,796)</u> |

12. Endowment Funds

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.

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12. Endowment Funds, Continued

Endowments, continued

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:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization.

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, 2023 and 2022.

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. In addition, YOTO has endowments consisting of beneficial interests in trusts (Note 9). See Note 11 for activity in endowment funds as of and for the years ended June 30, 2023 and 2022.

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For the years ended June 30, 2023 and 2022

13. Special events

YOTO's special events during the year ended June 30, 2023 consists of:

|                                      | Revenue          | Expenses           | Net             |
|--------------------------------------|------------------|--------------------|-----------------|
| Fall brunch (includes 2,700 in-kind) | \$ 16,720        | \$ (22,191)        | \$ (5,471)      |
| Spring lunch (includes 500 in-kind)  | 21,925           | (31,415)           | (9,490)         |
| Other fundraising activities         | 19,671           | -                  | 19,671          |
| Total special events                 | <u>\$ 58,316</u> | <u>\$ (53,606)</u> | <u>\$ 4,710</u> |

Special event expenses for the year ended June 30, 2023 include \$39,102 of direct donor benefit costs as reported on the statement of activities, and the remaining \$14,504 of other special event expenses are allocated on the statement of functional expenses as fundraising.

14. In-kind Donations

In-kind donations were utilized for direct program services and consist of the following for the year ended June 30,:

|                             | 2023             | 2022             |
|-----------------------------|------------------|------------------|
| Gift cards                  | \$ 4,721         | \$ 4,615         |
| Donated Mini-Mall inventory | 46,411           | 7,051            |
| Total in-kind donations     | <u>\$ 51,132</u> | <u>\$ 11,666</u> |

15. Retirement Plan

YOTO sponsors a 401(k) retirement plan for the benefit of its employees. Employees who have been employed by YOTO for three months and are at least 18 years of age can participate in the plan on the first day of the month following their date of hire. 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. During the years ended June 30, 2023 and 2022, YOTO contributed \$62,534 and \$47,376, respectively, to the plan.

16. Related Party Transactions

During the years ended June 30, 2023 and 2022, \$23,795 and \$21,275, respectively, was contributed by YOTO's Board of Directors.

17. Subsequent Events

YOTO sold the property located at 1660 N. Alvernon Way on October 11, 2023 for a purchase price of \$500,000. Concurrent with the sale, YOTO executed a lease agreement with the purchaser. The lease requires monthly payments of \$8,000. The lease term began on October 12, 2023 and will terminate on or before November 30, 2023.

YOTO was unaware of any additional subsequent events as of November 16, 2023, the date the financial statements were available to be issued.

See independent auditor's report.