



**AMERICAN YOUTH FOUNDATION**

**FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**



*Vredeveld Haefner LLC*

# AMERICAN YOUTH FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

May 30, 2014

Board of Directors  
American Youth Foundation  
Shelby, Michigan

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of the American Youth Foundation (a not-for-profit corporation), as of December 31, 2013 and 2012, and the related statements of activities, 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.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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 the American Youth Foundation as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of the American Youth Foundation as a whole. The schedule of program service revenue and net assets released for scholarships and the schedule of functional expenses on pages 17 and 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Urodeuxeld Haefner LLC*

**AMERICAN YOUTH FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 and 2012**

| <b>Assets</b>                               | <u>2013</u>                     | <u>2012</u>                     |
|---|---------------------------------|---------------------------------|
| Current assets                              |                                 |                                 |
| Cash and cash equivalents                   | \$ 413,743                      | \$ 427,405                      |
| Accounts receivable, net                    | 29,429                          | 2,713                           |
| Unconditional promises to give              | 58,385                          | 41,671                          |
| Inventory                                   | 36,510                          | 65,902                          |
| Prepaid expenses                            | <u>24,146</u>                   | <u>48,244</u>                   |
| <br>Total Current Assets                    | <br><u>562,213</u>              | <br><u>585,935</u>              |
| <br>Long-term assets                        |                                 |                                 |
| Investments - temporarily and unrestricted  | 18,827,202                      | 16,462,062                      |
| Investments - designated                    | 7,642,499                       | 6,824,540                       |
| Investments - permanently restricted        | 860,080                         | 857,483                         |
| Property and equipment, net                 | <u>11,461,845</u>               | <u>11,907,905</u>               |
| <br>Total long-term assets                  | <br><u>38,791,626</u>           | <br><u>36,051,990</u>           |
| <br><b>Total assets</b>                     | <br><b><u>\$ 39,353,839</u></b> | <br><b><u>\$ 36,637,925</u></b> |
| <br><b>Liabilities</b>                      |                                 |                                 |
| Accounts payable                            | \$ 169,459                      | \$ 128,449                      |
| Accrued liabilities                         | 25,846                          | 22,279                          |
| Deferred revenue                            | <u>293,093</u>                  | <u>290,697</u>                  |
| <br><b>Total liabilities</b>                | <br><b><u>488,398</u></b>       | <br><b><u>441,425</u></b>       |
| <br><b>Net assets</b>                       |                                 |                                 |
| Unrestricted                                |                                 |                                 |
| Investment in property and equipment        | 11,461,845                      | 11,907,905                      |
| Board designated                            | 7,732,630                       | 6,851,597                       |
| Undesignated (deficit)                      | <u>312,087</u>                  | <u>(458,613)</u>                |
| Total unrestricted                          | 19,506,562                      | 18,300,889                      |
| Temporarily restricted                      | 18,498,799                      | 17,038,128                      |
| Permanently restricted                      | <u>860,080</u>                  | <u>857,483</u>                  |
| <br>Total net assets                        | <br><u>38,865,441</u>           | <br><u>36,196,500</u>           |
| <br><b>Total liabilities and net assets</b> | <br><b><u>\$ 39,353,839</u></b> | <br><b><u>\$ 36,637,925</u></b> |

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

# AMERICAN YOUTH FOUNDATION

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012**

|   | 2013                 |                               |                               | Total                |
|---|----------------------|-------------------------------|-------------------------------|----------------------|
|   | <u>Unrestricted</u>  | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |                      |
| <b>Revenue and support</b>                        |                      |                               |                               |                      |
| Program fees:                                     |                      |                               |                               |                      |
| Camps   | \$ 2,954,871         | \$ -                          | \$ -                          | \$ 2,954,871         |
| Conferences                                       | 165,380              | -                             | -                             | 165,380              |
| Community and school programs                     | 959,106              | -                             | -                             | 959,106              |
| Financial aid and discounts                       | (638,183)            | -                             | -                             | (638,183)            |
| Other program service                             | 191,141              | -                             | -                             | 191,141              |
| Net program service                               | <u>3,632,315</u>     | <u>-</u>                      | <u>-</u>                      | <u>3,632,315</u>     |
| Grants and contributions                          | <u>466,763</u>       | <u>294,554</u>                | <u>2,597</u>                  | <u>763,914</u>       |
| Investment income:                                |                      |                               |                               |                      |
| Interest and dividends                            | 267,515              | 314,039                       | -                             | 581,554              |
| Realized gain (loss) on investments               | 156,258              | 183,433                       | -                             | 339,691              |
| Unrealized gain (loss) on investments             | 1,374,206            | 1,594,721                     | -                             | 2,968,927            |
| Total investment income                           | <u>1,797,979</u>     | <u>2,092,193</u>              | <u>-</u>                      | <u>3,890,172</u>     |
| Miscellaneous income                              | 3,893                | -                             | -                             | 3,893                |
| Gain on sale of assets                            | <u>-</u>             | <u>-</u>                      | <u>-</u>                      | <u>-</u>             |
| <b>Total revenue and support</b>                  | 5,900,950            | 2,386,747                     | 2,597                         | 8,290,294            |
| Net assets released from restriction scholarships | 434,592              | (434,592)                     | -                             | -                    |
| Net assets released from restriction other        | <u>491,484</u>       | <u>(491,484)</u>              | <u>-</u>                      | <u>-</u>             |
| <b>Total revenue, support and release</b>         | <u>6,827,026</u>     | <u>1,460,671</u>              | <u>2,597</u>                  | <u>8,290,294</u>     |
| <b>Expenses</b>                                   |                      |                               |                               |                      |
| Program services:                                 |                      |                               |                               |                      |
| Camps   | 1,904,335            | -                             | -                             | 1,904,335            |
| Conferences                                       | 145,534              | -                             | -                             | 145,534              |
| Community and school programs                     | 1,060,826            | -                             | -                             | 1,060,826            |
| Facilities and operations                         | 1,702,126            | -                             | -                             | 1,702,126            |
| Total program services                            | 4,812,821            | -                             | -                             | 4,812,821            |
| General and administrative                        | 453,008              | -                             | -                             | 453,008              |
| Fundraising                                       | 355,524              | -                             | -                             | 355,524              |
| Total expenses                                    | <u>5,621,353</u>     | <u>-</u>                      | <u>-</u>                      | <u>5,621,353</u>     |
| <b>Change in net assets</b>                       | 1,205,673            | 1,460,671                     | 2,597                         | 2,668,941            |
| Net assets, beginning of year as restated         | <u>18,300,889</u>    | <u>17,038,128</u>             | <u>857,483</u>                | <u>36,196,500</u>    |
| <b>Net assets, end of year</b>                    | <u>\$ 19,506,562</u> | <u>\$ 18,498,799</u>          | <u>\$ 860,080</u>             | <u>\$ 38,865,441</u> |

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

**2012**

| <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|----------------------|-----------------------------------|-----------------------------------|----------------------|
| \$ 2,904,562         | \$ -                              | \$ -                              | \$ 2,904,562         |
| 200,149              | -                                 | -                                 | 200,149              |
| 874,526              | -                                 | -                                 | 874,526              |
| (640,314)            | -                                 | -                                 | (640,314)            |
| 170,651              | -                                 | -                                 | 170,651              |
| <u>3,509,574</u>     | <u>-</u>                          | <u>-</u>                          | <u>3,509,574</u>     |
| <br>                 |                                   |                                   |                      |
| <u>439,651</u>       | <u>276,339</u>                    | <u>2,620</u>                      | <u>718,610</u>       |
| <br>                 |                                   |                                   |                      |
| 220,921              | 430,080                           | -                                 | 651,001              |
| 141,308              | 398,812                           | -                                 | 540,120              |
| <u>634,087</u>       | <u>1,789,574</u>                  | <u>-</u>                          | <u>2,423,661</u>     |
| <u>996,316</u>       | <u>2,618,466</u>                  | <u>-</u>                          | <u>3,614,782</u>     |
| <br>                 |                                   |                                   |                      |
| 1,680                | -                                 | -                                 | 1,680                |
| <u>1,144</u>         | <u>-</u>                          | <u>-</u>                          | <u>1,144</u>         |
| <br>                 |                                   |                                   |                      |
| 4,948,365            | 2,894,805                         | 2,620                             | 7,845,790            |
| <br>                 |                                   |                                   |                      |
| 464,040              | (464,040)                         | -                                 | -                    |
| <u>351,292</u>       | <u>(351,292)</u>                  | <u>-</u>                          | <u>-</u>             |
| <br>                 |                                   |                                   |                      |
| <u>5,763,697</u>     | <u>2,079,473</u>                  | <u>2,620</u>                      | <u>7,845,790</u>     |
| <br>                 |                                   |                                   |                      |
| 1,918,955            | -                                 | -                                 | 1,918,955            |
| 146,005              | -                                 | -                                 | 146,005              |
| 1,018,781            | -                                 | -                                 | 1,018,781            |
| <u>1,615,237</u>     | <u>-</u>                          | <u>-</u>                          | <u>1,615,237</u>     |
| 4,698,978            | -                                 | -                                 | 4,698,978            |
| 400,103              | -                                 | -                                 | 400,103              |
| <u>345,638</u>       | <u>-</u>                          | <u>-</u>                          | <u>345,638</u>       |
| <br>                 |                                   |                                   |                      |
| <u>5,444,719</u>     | <u>-</u>                          | <u>-</u>                          | <u>5,444,719</u>     |
| <br>                 |                                   |                                   |                      |
| 318,978              | 2,079,473                         | 2,620                             | 2,401,071            |
| <u>17,981,911</u>    | <u>14,958,655</u>                 | <u>854,863</u>                    | <u>33,795,429</u>    |
| <br>                 |                                   |                                   |                      |
| <u>\$ 18,300,889</u> | <u>\$ 17,038,128</u>              | <u>\$ 857,483</u>                 | <u>\$ 36,196,500</u> |

# AMERICAN YOUTH FOUNDATION

## STATEMENTS OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012**

|  | 2013         | 2012         |
|--|--------------|--------------|
| <b>Cash flows from operating activities</b>  |              |              |
| Change in net assets   | \$ 2,668,941 | \$ 2,401,071 |
| Adjustments to reconcile change in net assets to net cash provided (used in) operating activities: |              |              |
| Depreciation   | 667,085      | 669,890      |
| Contributions restricted for long-term purposes  | (2,597)      | (2,620)      |
| Donated investments  | (64,417)     | (58,298)     |
| Realized (gain) loss on investments  | (339,691)    | (540,120)    |
| Unrealized (gain) loss on investments  | (2,968,927)  | (2,423,661)  |
| (Gain) loss on disposal of assets  | -            | (1,144)      |
| Changes in operating assets and liabilities which provided (used) cash:                            |              |              |
| Receivables  | (43,430)     | 6,730        |
| Inventory  | 29,392       | (35,742)     |
| Prepaid expenses   | 24,098       | (7,393)      |
| Accounts payable   | 41,010       | 103,426      |
| Accrued liabilities  | (51,856)     | (55,423)     |
| Deferred revenue   | 72,831       | 70,435       |
|  | 32,439       | 127,151      |
| <b>Net cash provided by (used in) operating activities</b>   |              |              |
| <b>Cash flows from investing activities</b>  |              |              |
| Proceeds from sales of investments   | 658,490      | 808,635      |
| Cash used to purchase investments  | (395,631)    | (513,956)    |
| Investment fees  | (90,874)     | (68,434)     |
| Proceeds from sale of property and equipment   | -            | 1,144        |
| Purchases of property and equipment  | (221,026)    | (166,792)    |
|  | (49,041)     | 60,597       |
| <b>Net cash provided by (used in) investing activities</b>   |              |              |
| <b>Cash flows from financing activities</b>  |              |              |
| Contributions received for long-term purposes  | 2,940        | 30,711       |
|  | (13,662)     | 218,459      |
| <b>Net increase (decrease) in cash and cash equivalents</b>  |              |              |
| Cash and cash equivalents, beginning of year   | 427,405      | 208,946      |
|  | \$ 413,743   | \$ 427,405   |
| <b>Cash and cash equivalents, end of year</b>  |              |              |

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



# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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### 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The American Youth Foundation (the "Organization") is a national, not-for-profit youth development organization with centers in Michigan and New Hampshire. The Organization also maintains a developmental office in St. Louis, Missouri. The American Youth Foundation inspires people to discover and develop their personal best, to seek balance in mental, physical, social and spiritual living, and to make a positive difference in their communities and in the wider world. The Organization is an equal opportunity employer committed to ensuring that staff and participants come from diverse backgrounds. Below are the major service categories and their related programs:

#### *Camps*

Summer camps – As a leader in youth development, the Organization inspires people to be their best selves. They achieve this by creating a fun and safe environment where campers learn new skills and make new friends. Campers 8-17 will find a progression of age appropriate adventures and opportunities waiting for them. The philosophy of "Best Self", "Balanced Living", and "Healthy Friendships" is intentionally interwoven throughout the camp experiences.

#### *Conferences*

American Youth Foundation National leadership Conferences – Since 1925, young people ages 15-18 from high schools around the world have come together at the National Leadership Conference to discover their personal best and develop their leadership skills needed to make a difference in their homes, schools, communities and in the wider world.

Participants will find themselves living in a dynamic, diverse community where they are encouraged to open their mind to new ways of seeing themselves and others. They will take on real challenges and meaningful responsibility as they live and learn with other young leaders. Using time-tested curriculum relevant to today's young people, they will participate in large group and small group activities. These activities are specifically designed to provide opportunity to both learn and practice leadership skills essential for any of life's vocations.

National Leadership Award – the American Youth Foundation's National Leadership Award is a unique opportunity to honor extraordinary young people for their character and leadership. The award recognizes youth ages 15-18 years old who strive to be their personal best and make a positive difference in their schools, youth groups, 4-h clubs, and communities.

#### *Community and School Programs*

Community and school programs – The Organization's Community and School Programs serve thousands of youth, educators, and youth advocates through programs designed to promote the discovery and development of the Organization's core concepts: Best Self, Balanced Living, and Positive Relationships. As a leader in the field of Positive Youth Development we seek to provide youth with opportunities to identify and accentuate their personal assets and translate those assets into productive components of their lives.

#### *Other Program Services*

The Organization conducts various activities that support its primary program services. Included are: camp/conference stores, where items needed by participants are available for purchase; craft supplies which can be purchased by participants; charter transportation used to transport participants to various Organization program sites; and other facility costs.

# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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### *General and Administrative*

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functions of the Board of Directors; maintain component legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

### *Fundraising*

Provides the structure necessary to encourage and secure private financial support from individuals, organizations and corporations.

### ***Basis of Presentation***

The Organization is required to report information regarding its financial position and activities according to three classes of net assets depending on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### ***Use of Estimates***

The preparation of the 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

### ***Fair Value Measurements***

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, such as the reporting entity's own data.

For assets and liabilities recorded at fair value, it is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those financial instruments for which there is an active market. In cases where the market for a financial asset or liability is not active, the Organization includes appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when developing fair value measurements. Fair value measurements for assets and liabilities for which limited or no observable market data exists are accordingly based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. For a further discussion of fair value measurements, refer to Note 3.

# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to the legal limit. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

### ***Investments***

Investments are carried at fair value as determined by quoted market prices. Realized and unrealized gains and losses, if any, are included as changes in net assets in the accompanying statement of activities.

### ***Accounts and Unconditional Promises to Give Receivable***

Unconditional promises to give consist of pledged donations from various corporations, foundations and individuals. Many of these donations have been restricted by time and use for facility needs. Unconditional promises to give are recognized as revenues in the period the promises are received. Accounts receivable and unconditional promises to give are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of its credit history with customers and donors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial. Receivables deemed to be uncollectable by management are expensed when determined uncollectable.

### ***Inventory***

Inventory consists of clothing and other goods sold at the camp stores. Inventory is stated at cost using the first in, first-out method of inventory accounting.

### ***Prepaid Expenses***

Payments to vendors for services that will benefit periods beyond the Organization's year end are recorded as prepaid expenses.

### ***Property and Equipment and Depreciation***

Facilities and equipment acquired are recorded at cost, if purchased, or at fair value, if donated. Management's policy is to capitalize individual assets or groups of assets which will be used together as a system with a cost of \$2,500 or greater and estimated lives of three years or more. Expenditures for repairs or maintenance that do not extend the useful lives of capital assets are expensed. The costs of improvements are capitalized and depreciated over the remaining useful lives of the related capital asset. Depreciation is recorded using the straight line method over periods ranging from 3 to 40 years. Management annually reviews these assets to determine whether the carrying values have been impaired and useful lives are reasonable.

### ***Deferred Revenue***

Deferred revenue results primarily from deposits received in advance for camp and program enrollment.

**AMERICAN YOUTH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

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***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, in a period after which the support was first recognized, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

***Revenue Recognition***

Program service fees, excluding contributions, are billed to individuals and organizations. Revenues are generally recognized on a monthly basis as the services are provided.

***Functional Allocation of Expenses***

Expenses are charged to program services and supporting activities by specific identification where possible. Other costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Donated Services, Facilities and Supplies***

Certain professional services are donated to the Organization by various organizations and individuals. Since these donated services meet the criteria for recognition, they are recorded at fair value at the date of donation. In addition, a substantial number of volunteers have donated a significant amount of their time to the Organization's programs. However such donated services have not been recorded because they do not meet criteria for recognition.

Various facilities and supplies are donated to the Organization. These items are recorded as contributions at their respective estimated fair values at the date of the donation.

***Income Taxes***

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes in the accompanying financial statements. As of December 31, 2013, the years 2009 through 2012 remain subject to examination by major taxing jurisdictions. The Organization has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

***Subsequent Events***

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2013 and through the auditors' report date, the date the financial statements were available to be issued. No such events or transactions requiring recognition or disclosure were identified.

# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

### 2. INVESTMENTS AND FAIR VALUE MEASUREMENT

The following table sets forth by level, within the fair value hierarchy, the Organization's investments measured at fair value at December 31:

| <b>2012</b>                 | <b><u>Total</u></b> | <b><u>Level 1</u></b> | <b><u>Level 2</u></b> | <b><u>Level 3</u></b> |
|-----------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Money market funds and cash | \$ 66,645           | \$ 66,645             | \$ -                  | \$ -                  |
| Equity mutual funds         | 17,230,397          | 17,230,397            | -                     | -                     |
| Fixed income mutual funds   | 6,847,043           | 6,847,043             | -                     | -                     |
|                             | <u>\$24,144,085</u> | <u>\$24,144,085</u>   | <u>\$ -</u>           | <u>\$ -</u>           |

| <b>2013</b>                 | <b><u>Total</u></b> | <b><u>Level 1</u></b> | <b><u>Level 2</u></b> | <b><u>Level 3</u></b> |
|-----------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Money market funds and cash | \$ 107,012          | \$ 107,012            | \$ -                  | \$ -                  |
| Equity mutual funds         | 19,687,180          | 19,687,180            | -                     | -                     |
| Fixed income mutual funds   | 7,535,589           | 7,535,589             | -                     | -                     |
|                             | <u>\$27,329,781</u> | <u>\$27,329,781</u>   | <u>\$ -</u>           | <u>\$ -</u>           |

Fair value is defined by generally accepted accounting principles as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In addition to defining fair value, accounting standards establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - inputs are unadjusted quoted market prices in active markets for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets and liabilities in active markets
- quoted prices for identical or similar assets and liabilities in markets that are not active
- other inputs that are observable or can be corroborated by observable market data
- inputs that are derived 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 are generally unobservable and significant to the fair value measurement. Such inputs typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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### 3. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31:

|   | <u>2013</u>                 | <u>2012</u>                 |
|---|-----------------------------|-----------------------------|
| Land  | \$ 1,242,668                | \$ 1,242,668                |
| Construction in progress                        | 260,979                     | 112,115                     |
| Land/Leasehold improvements                     | 1,557,861                   | 1,557,861                   |
| Buildings and improvements                      | 16,301,386                  | 16,256,024                  |
| Vehicles  | 404,601                     | 377,801                     |
| Equipment                                       | 872,464                     | 872,464                     |
| <b>Total property and equipment</b>             | <b>20,639,959</b>           | <b>20,418,933</b>           |
| Less: accumulated depreciation and amortization | 9,178,114                   | 8,511,028                   |
| <b>Property and equipment, net</b>              | <b><u>\$ 11,461,845</u></b> | <b><u>\$ 11,907,905</u></b> |

### 4. ENDOWMENT FUNDS AND NET ASSETS

The Organization's endowment funds consist of permanently restricted, specific temporarily restricted and unrestricted board designated net assets. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date for donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

In accordance with SMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate 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; and
- The investment policies of the Organization, as discussed below.

Following is the composition of Organization's net asset as of December 31:

|                                     | <u>Endowment Funds</u>  |                               |                               |                         |                               |
|-------------------------------------|-------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|
|                                     | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Board Designated</u> | <u>Temporarily Restricted</u> |
| <b><u>2012</u></b>                  |                         |                               |                               |                         |                               |
| Capital projects and infrastructure | \$6,824,540             | \$10,518,458                  | \$ 28,197                     | \$ -                    | \$ 14,076                     |
| Scholarships                        | -                       | 73,425                        | 707,375                       | -                       | 84,436                        |
| Environmental awareness             | -                       | 82,729                        | -                             | -                       | 4,729                         |
| Leadership                          | -                       | 3,308                         | 20,000                        | -                       | 10,592                        |
| General operations                  | -                       | 16,858                        | -                             | 27,057                  | 1,213                         |
| Strategic activity                  | -                       | 6,228,304                     | 101,911                       | -                       | -                             |
| <b>Total</b>                        | <b>\$6,824,540</b>      | <b>\$16,923,082</b>           | <b>\$857,483</b>              | <b>\$27,057</b>         | <b>\$115,046</b>              |
| <b><u>2013</u></b>                  |                         |                               |                               |                         |                               |
| Capital projects and infrastructure | \$7,642,499             | \$11,396,075                  | \$ 28,197                     | \$ -                    | \$ 41,664                     |
| Scholarships                        | -                       | 126,413                       | 709,972                       | -                       | 49,198                        |
| Environmental awareness             | -                       | 100,769                       | -                             | -                       | -                             |
| Leadership                          | -                       | 7,008                         | 20,000                        | -                       | 10,247                        |
| General operations                  | -                       | 35,711                        | -                             | 90,131                  | 1,214                         |
| Campaign                            | -                       | -                             | -                             | -                       | 47,908                        |
| Strategic activity                  | -                       | 6,682,592                     | 101,911                       | -                       | -                             |
| <b>Total</b>                        | <b>\$7,642,499</b>      | <b>\$18,348,568</b>           | <b>\$860,080</b>              | <b>\$90,131</b>         | <b>\$150,231</b>              |

**AMERICAN YOUTH FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012**

Following are the changes in endowment net assets for the years ended December 31:

|   | <b>Endowment Funds</b>             |  |  |                                    |  |
|---|------------------------------------|--|--|------------------------------------|--|
|   | <b><u>Board<br/>Designated</u></b> | <b><u>Temporarily<br/>Restricted</u></b> | <b><u>Permanently<br/>Restricted</u></b> | <b><u>Board<br/>Designated</u></b> | <b><u>Temporarily<br/>Restricted</u></b> |
| Net assets, January 1, 2012                                 | <b>\$6,046,142</b>                 | <b>\$14,866,188</b>                      | <b>\$854,863</b>                         | <b>\$ -</b>                        | <b>\$92,467</b>                          |
| Investment return   |                                    |  |  |                                    |  |
| Investment income, net of expense                           | 152,387                            | 428,062                                  | -  | -                                  | 2,019                                    |
| Realized and unrealized gain(losses)                        | 775,396                            | 2,188,385                                | -  | -                                  | -  |
| Contributions   | -                                  | 350                                      | 2,620                                    | 27,057                             | 275,989                                  |
| Release of assets for expenditure<br>for restricted purpose | (149,385)                          | (559,903)                                | -  | -                                  | (255,429)                                |
| <b>Net assets, December 31, 2012</b>                        | <b>\$6,824,540</b>                 | <b>\$16,923,082</b>                      | <b>\$857,483</b>                         | <b>\$27,057</b>                    | <b>\$115,046</b>                         |
| Investment return   |                                    |  |  |                                    |  |
| Investment income, net of expense                           | 162,492                            | 313,640                                  | -  | 1,429                              | 399                                      |
| Realized and unrealized gain(losses)                        | 920,789                            | 1,775,890                                | -  | 8,095                              | 2,264                                    |
| Contributions   | -                                  | 935                                      | 2,597                                    | 53,550                             | 293,619                                  |
| Release of assets for expenditure<br>for restricted purpose | (265,322)                          | (664,979)                                | -  | -                                  | (261,097)                                |
| <b>Net assets, December 31, 2013</b>                        | <b>\$7,642,499</b>                 | <b>\$18,348,568</b>                      | <b>\$860,080</b>                         | <b>\$90,131</b>                    | <b>\$150,231</b>                         |

Earnings on permanently restricted net assets are reported as income of temporarily restricted net assets. Realized and unrealized gain/(loss) is not separately tracked for temporarily restricted net assets of endowment and non-endowment funds. Realized and unrealized gain/(loss) are allocated for purposes of the above disclosure between classes of temporarily restricted net assets based on year end investment income balances.

***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 SPMIFA require the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013.

***Return Objectives and Risk Parameters***

The principal objectives of the Organization's investment program applies to all investments, both restricted and unrestricted, and are stated as follows 1) Preservation of capital on an absolute basis 2) generation of income to fulfill the charitable purpose of the Organization 3) Provide market equivalent return on investment.



# AMERICAN YOUTH FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 and 2012

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### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Organization policy 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). The Organization targets a diversified asset allocation that is designed to achieve its long-term return objectives within prudent risk constraints.

### ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Organization has a policy of appropriating for distribution each year no more than 5 percent of its investment's average fair value over the prior 5 years average market value. In establishing this policy, the Organization considered the long-term expected return on its investments. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

## **5. RETIREMENT PLAN**

The Organization offers a Simple IRA plan to all full-time employees. The plan allows the participants to make contributions to the plan through salary deferrals. The plan also provides for employer matching contributions to a maximum of 3% of eligible compensation. For 2013 and 2012 the Organization's contributions to the plan were \$35,900 and \$37,324 respectively.

## **6. RELATED PARTY TRANSACTIONS**

Approximately 98% of temporarily restricted net assets at December 31, 2013 and 2012 were received from individuals and organizations related to current Board Members. The balance of the unconditional promises to give at December 31, 2013 and 2012 was receivable primarily from individuals and organizations related to current Board Members. Approximately 44% of current year grants and contributions were received from individuals and organizations related to Board Members.

## **7. RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. Management estimates approximately 40% of its buildings and improvements are self-insured for property damage. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **8. PRIOR PERIOD RESTATEMENT**

Unrestricted net assets investment in property and equipment was reduced by \$2,016,415 at January 1, 2012 to reflect accumulated depreciation on building previously undepreciated.

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## **SUPPLEMENTARY INFORMATION**

## AMERICAN YOUTH FOUNDATION

### SCHEDULE OF PROGRAM SERVICE REVENUE AND NET ASSETS RELEASED FOR SCHOLARSHIPS

FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012

|   | Camp Programs              |                            |                            | Conference Programs            | Community and School Programs |                          |                          | Administration       | Grand Total                |
|---|----------------------------|----------------------------|----------------------------|--------------------------------|-------------------------------|--------------------------|--------------------------|----------------------|----------------------------|
|   | Miniwanca                  | Merrowvista                | Total                      | National Leadership Conference | Miniwanca                     | Merrowvista              | Total                    |                      |                            |
|   | Program fees               |                            |                            |                                |                               |                          |                          |                      |                            |
| Regular   | \$ 1,572,610               | \$ 1,382,261               | \$ 2,954,871               | \$ 165,380                     | \$ 392,675                    | \$ 566,431               | \$ 959,106               | \$ -                 | \$ 4,079,357               |
| Less  |                            |                            |                            |                                |                               |                          |                          |                      |                            |
| Financial aid and discounts                           | <u>181,924</u>             | <u>180,880</u>             | <u>362,804</u>             | <u>87,890</u>                  | <u>90,490</u>                 | <u>96,999</u>            | <u>187,489</u>           | <u>-</u>             | <u>638,183</u>             |
| Net tuition   | 1,390,686                  | 1,201,381                  | 2,592,067                  | 77,490                         | 302,185                       | 469,432                  | 771,617                  | -                    | 3,441,174                  |
| Other program service fees                            | 76,962                     | 26,364                     | 103,326                    | 86,752                         | 500                           | 463                      | 963                      | 100                  | 191,141                    |
| Net assets released from restriction for scholarships | <u>137,283</u>             | <u>114,684</u>             | <u>251,967</u>             | <u>20,155</u>                  | <u>88,295</u>                 | <u>74,175</u>            | <u>162,470</u>           | <u>-</u>             | <u>434,592</u>             |
| <b>Total</b>  | <b><u>\$ 1,604,931</u></b> | <b><u>\$ 1,342,429</u></b> | <b><u>\$ 2,947,360</u></b> | <b><u>\$ 184,397</u></b>       | <b><u>\$ 390,980</u></b>      | <b><u>\$ 544,070</u></b> | <b><u>\$ 935,050</u></b> | <b><u>\$ 100</u></b> | <b><u>\$ 4,066,907</u></b> |

**AMERICAN YOUTH FOUNDATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 and 2012**

|                               | Camp Programs       |                   |                     | Conference Programs            | Community and School Programs |                   |                     | Other Program Services - Facilities and Operations |                   |                   |                     | Fund raising               |               |                     |                   |                     |
|-------------------------------|---------------------|-------------------|---------------------|--------------------------------|-------------------------------|-------------------|---------------------|--|-------------------|-------------------|---------------------|----------------------------|---------------|---------------------|-------------------|---------------------|
|                               | Miniwanca           | Merrowvista       | Total               | National Leadership Conference | Miniwanca                     | Merrowvista       | Total               | Nonoperating                                       | Michigan          | New Hampshire     | Total               | General and Administrative | Campaign      | General Fundraising | Total             | Total               |
| Cost of Sales                 | \$ 17,115           | \$ -              | \$ 17,115           | \$ 13,975                      | \$ -                          | \$ -              | \$ -                | \$ -   | \$ 27,863         | \$ 12,189         | \$ 40,052           | \$ -                       | \$ -          | \$ 63,534           | \$ 63,534         | \$ 134,676          |
| Personnel                     |                     |                   |                     |                                |                               |                   |                     |  |                   |                   |                     |                            |               |                     |                   |                     |
| Salaries and wages            | 454,577             | 385,197           | 839,774             | 43,458                         | 226,433                       | 276,744           | 503,177             | 92,336   | 175,833           | 233,259           | 501,428             | 216,119                    | -             | 160,272             | 160,272           | 2,264,228           |
| Employee benefits             | 89,081              | 68,283            | 157,364             | 10,835                         | 53,060                        | 47,839            | 100,899             | 21,075   | 59,266            | 67,618            | 147,959             | 61,091                     | -             | 47,770              | 47,770            | 525,918             |
| Travel and staff development  | 26,275              | 20,755            | 47,030              | 11,514                         | 10,165                        | 6,588             | 16,753              | -  | 8,747             | 4,554             | 13,301              | 28,817                     | -             | 3,104               | 3,104             | 120,519             |
| Food Services                 | 79,426              | 94,107            | 173,533             | 17,728                         | 79,555                        | 66,470            | 146,025             | -  | -                 | 6,643             | 6,643               | -                          | -             | -                   | -                 | 343,929             |
| Supplies                      |                     |                   |                     |                                |                               |                   |                     |  |                   |                   |                     |                            |               |                     |                   |                     |
| Direct program                | 110,223             | 117,086           | 227,309             | 13,517                         | 17,335                        | 17,381            | 34,716              | -  | -                 | 20                | 20                  | -                          | -             | 721                 | 721               | 276,283             |
| Medical, training, and office | 5,924               | 5,967             | 11,891              | 1,851                          | 1,985                         | 1,859             | 3,844               | -  | 472               | 461               | 933                 | 840                        | -             | 10,534              | 10,534            | 29,893              |
| Janitorial and other          | 6,092               | 4,548             | 10,640              | 950                            | 6,092                         | 2,028             | 8,120               | -  | 1,211             | 541               | 1,752               | -                          | -             | 318                 | 318               | 21,780              |
| Equipment                     |                     |                   |                     |                                |                               |                   |                     |  |                   |                   |                     |                            |               |                     |                   |                     |
| Minor purchases               | 2,256               | -                 | 2,256               | 315                            | 2,634                         | -                 | 2,634               | -  | -                 | -                 | -                   | -                          | -             | -                   | -                 | 5,205               |
| Rental                        | 21,715              | 26,398            | 48,113              | 82                             | -                             | -                 | -                   | -  | -                 | -                 | -                   | -                          | -             | -                   | -                 | 48,195              |
| Facilities                    |                     |                   |                     |                                |                               |                   |                     |  |                   |                   |                     |                            |               |                     |                   |                     |
| Utilities                     | 52,112              | 35,693            | 87,805              | 7,454                          | 52,112                        | 22,713            | 74,825              | -  | 12,382            | 6,821             | 19,203              | -                          | -             | 3,041               | 3,041             | 192,328             |
| Rental                        | 1,737               | 3,093             | 4,830               | 243                            | 1,698                         | 1,969             | 3,667               | -  | 404               | 562               | 966                 | -                          | -             | 1,179               | 1,179             | 10,885              |
| Maintenance and repair        | 49,957              | 32,958            | 82,915              | 7,287                          | 50,162                        | 17,515            | 67,677              | 96,396   | 12,367            | 31,208            | 139,971             | 3,848                      | -             | 1,576               | 1,576             | 303,274             |
| Professional and consulting   | 6,197               | 6,798             | 12,995              | 902                            | 4,031                         | 6,052             | 10,083              | 24,681   | 44,954            | 10,749            | 80,384              | 25,451                     | 674           | 21,775              | 22,449            | 152,264             |
| Other expenses                |                     |                   |                     |                                |                               |                   |                     |  |                   |                   |                     |                            |               |                     |                   |                     |
| Bank /investment charges      | 29,734              | 24,874            | 54,608              | 2,995                          | 121                           | 205               | 326                 | -  | 229               | 108               | 337                 | 98,834                     | -             | 3,819               | 3,819             | 160,919             |
| Property/casualty insurance   | 22,320              | 28,251            | 50,571              | 2,848                          | 20,190                        | 15,873            | 36,063              | 58,112   | 4,591             | 4,148             | 66,851              | 456                        | -             | 9,432               | 9,432             | 166,221             |
| Communications                | 24,010              | 24,472            | 48,482              | 3,464                          | 23,766                        | 17,561            | 41,327              | -  | 5,568             | 4,739             | 10,307              | 6,734                      | -             | 14,109              | 14,109            | 124,423             |
| Postage and delivery          | 647                 | 1,571             | 2,218               | 90                             | 621                           | 982               | 1,603               | -  | 85                | 281               | 366                 | 1,381                      | -             | 9,535               | 9,535             | 15,193              |
| Advertising and promotion     | 13,609              | 9,024             | 22,633              | 6,002                          | 5,726                         | 1,888             | 7,614               | -  | 299               | 60                | 359                 | -                          | -             | 4,111               | 4,111             | 40,719              |
| Taxes and licenses            | 108                 | 2,145             | 2,253               | 24                             | 108                           | 1,365             | 1,473               | -  | 6,619             | 390               | 7,009               | -                          | -             | 20                  | 20                | 10,779              |
| Miscellaneous                 | -                   | -                 | -                   | -                              | -                             | -                 | -                   | -  | -                 | -                 | -                   | 6,637                      | -             | -                   | -                 | 6,637               |
| Depreciation                  | -                   | -                 | -                   | -                              | -                             | -                 | -                   | 86,197   | 435,958           | 142,130           | 664,285             | 2,800                      | -             | -                   | -                 | 667,085             |
| <b>Total expenses</b>         | <b>\$ 1,013,115</b> | <b>\$ 891,220</b> | <b>\$ 1,904,335</b> | <b>\$ 145,534</b>              | <b>\$ 555,794</b>             | <b>\$ 505,032</b> | <b>\$ 1,060,826</b> | <b>\$ 378,797</b>                                  | <b>\$ 796,848</b> | <b>\$ 526,481</b> | <b>\$ 1,702,126</b> | <b>\$ 453,008</b>          | <b>\$ 674</b> | <b>\$ 354,850</b>   | <b>\$ 355,524</b> | <b>\$ 5,621,353</b> |