



AMERICAN YOUTH FOUNDATION

FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017



Vredeveld Haefner LLC
CPAs and Consultants

AMERICAN YOUTH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

May 24, 2019

Board of Directors
American Youth Foundation
Shelby, Michigan

We have audited the accompanying statements of the American Youth Foundation (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program service revenue and net assets released for scholarships on page 19 is presented for purposes of additional analysis and is 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.

Orlando Haefner LLC

AMERICAN YOUTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 and 2017

Assets	2018	2017
Current assets		
Cash and cash equivalents	\$ 2,248,121	\$ 2,148,841
Accounts receivable, net	4,341	1,360
Inventory	38,096	51,363
Unconditional promises to give		
Due within one year	102,061	456,191
Prepaid expenses	94,388	33,523
Total current assets	<u>2,487,007</u>	<u>2,691,278</u>
Long-term assets		
Investments - donor purpose restriction and unrestricted	19,450,762	21,533,815
Investments - Board designated	8,429,557	9,013,076
Investments - perpetual restriction	860,330	860,330
Unconditional promises to give, net		
Due in more than one year	-	43,037
Property and equipment, net	9,639,965	10,085,603
Total long-term assets	<u>38,380,614</u>	<u>41,535,861</u>
Total assets	<u>\$ 40,867,621</u>	<u>\$ 44,227,139</u>
Liabilities		
Accounts payable	\$ 193,803	\$ 168,295
Accrued liabilities	68,609	58,559
Deferred revenue	421,078	420,145
Total liabilities (all current)	<u>683,490</u>	<u>646,999</u>
Net assets		
Without donor restriction		
Investment in property and equipment	9,639,965	10,085,603
Board designated	8,623,107	9,013,076
Undesignated	1,140,581	1,046,419
Total without donor restriction	<u>19,403,653</u>	<u>20,145,098</u>
With donor restriction		
Purpose restriction	19,818,087	22,085,504
Time restriction	102,061	489,208
Perpetual restriction	860,330	860,330
Total with donor restriction	<u>20,780,478</u>	<u>23,435,042</u>
Total net assets	<u>40,184,131</u>	<u>43,580,140</u>
Total liabilities and net assets	<u>\$ 40,867,621</u>	<u>\$ 44,227,139</u>

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

AMERICAN YOUTH FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Revenue and support			
Program fees:			
Camps	\$ 3,954,045	\$ -	\$ 3,954,045
Conferences	191,960	-	191,960
Community and school programs	927,256	-	927,256
Financial aid and discounts	(846,588)	-	(846,588)
Other program service	129,894	-	129,894
Net program service	4,356,567	-	4,356,567
Grants and contributions	673,079	453,356	1,126,435
Total Grants and Contributions	673,079	453,356	1,126,435
Investment income:			
Interest and dividends	185,169	434,166	619,335
Realized gain (loss) on investments	594,342	1,389,441	1,983,783
Unrealized gain (loss) on investments	(1,354,837)	(3,283,964)	(4,638,801)
Total investment income	(575,326)	(1,460,357)	(2,035,683)
Miscellaneous income	-	-	-
Total revenue and support	4,454,320	(1,007,001)	3,447,319
Net assets released from restriction scholarships	489,798	(489,798)	-
Net assets released from time restriction	361,758	(361,758)	-
Net assets released from restriction other	796,007	(796,007)	-
Total revenue, support and release	6,101,883	(2,654,564)	3,447,319
Expenses			
Program services:			
Camps	2,695,949	-	2,695,949
Conferences	159,291	-	159,291
Community and school programs	1,121,114	-	1,121,114
Facilities and operations	2,066,072	-	2,066,072
Total program services	6,042,426	-	6,042,426
General and administrative	366,797	-	366,797
Fundraising	434,105	-	434,105
Total expenses	6,843,328	-	6,843,328
Change in net assets	(741,445)	(2,654,564)	(3,396,009)
Net assets, beginning of year	20,145,098	23,435,042	43,580,140
Net assets, end of year	\$ 19,403,653	\$ 20,780,478	\$ 40,184,131

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

2017		
<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
\$ 3,674,467	\$ -	\$ 3,674,467
181,913	-	181,913
831,977	-	831,977
(732,710)	-	(732,710)
131,405	-	131,405
<u>4,087,052</u>	<u>-</u>	<u>4,087,052</u>
 44,771	 859,853	 904,624
<u>44,771</u>	<u>859,853</u>	<u>904,624</u>
 94,870	 452,267	 547,137
365,565	833,723	1,199,288
813,183	1,854,580	2,667,763
<u>1,273,618</u>	<u>3,140,570</u>	<u>4,414,188</u>
 1,631	 -	 1,631
 5,407,072	 4,000,423	 9,407,495
412,699	(412,699)	-
632,272	(632,272)	-
924,336	(924,336)	-
<u>7,376,379</u>	<u>2,031,116</u>	<u>9,407,495</u>
 2,415,526	 -	 2,415,526
132,900	-	132,900
1,103,861	-	1,103,861
<u>1,772,379</u>	<u>-</u>	<u>1,772,379</u>
5,424,666	-	5,424,666
339,737	-	339,737
413,692	-	413,692
<u>6,178,095</u>	<u>-</u>	<u>6,178,095</u>
 1,198,284	 2,031,116	 3,229,400
<u>18,946,814</u>	<u>21,403,926</u>	<u>40,350,740</u>
\$ 20,145,098	\$ 23,435,042	\$ 43,580,140

AMERICAN YOUTH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Camp Programs			Conference Programs	Community and School Programs			Other Program Services - Facilities and Operations								
	Miniwanca	Merrowvista	Total	National Leadership Conference	Miniwanca	Merrowvista	Total	Nonoperating	Michigan	New Hampshire	Total	General and Administrative	General Fundraising	Total		
Cost of Sales	\$ 16,629	\$ 67	\$ 16,696	\$ 13,019	\$ -	\$ 42	\$ 42	\$ -	\$ -	\$ 15,499	\$ 15,499	\$ -	\$ 100,047	\$ 145,303		
Personnel																
Salaries and wages	619,206	573,733	1,192,939	30,267	147,449	278,584	426,033	105,384	301,071	277,923	684,378	252,520	194,169	2,780,306		
Employee benefits	133,418	100,042	233,460	7,251	42,685	77,339	120,024	28,822	76,133	78,896	183,851	54,901	38,682	638,169		
Travel and staff development	55,995	71,722	127,717	31,420	3,423	33,294	36,717	-	24,459	23,361	47,820	18,435	4,883	266,992		
Food Services	118,756	101,162	219,918	22,919	103,868	71,858	175,726	-	140	516	656	-	-	419,219		
Supplies																
Direct program	198,115	110,706	308,821	18,074	25,235	27,035	52,270	-	543	753	1,296	-	27	380,488		
Medical, training, and office	8,102	8,394	16,496	2,827	4,687	4,079	8,766	-	(1,925)	(2,018)	(3,943)	820	7,398	32,364		
Janitorial and other	7,274	6,070	13,344	1,575	7,244	2,778	10,022	-	626	1,195	1,821	-	550	27,312		
Equipment																
Minor purchases	14,577	5,832	20,409	-	-	-	-	-	-	-	-	-	-	20,409		
Rental	34,875	28,967	63,842	-	7,145	-	7,145	-	-	-	-	-	-	70,987		
Facilities																
Utilities	56,438	49,139	105,577	8,503	56,055	31,272	87,327	-	16,302	8,934	25,236	-	4,188	230,831		
Rental	2,473	3,123	5,596	257	1,732	1,987	3,719	-	545	568	1,113	-	1,602	12,287		
Maintenance and repair	96,414	39,073	135,487	9,486	64,217	24,169	88,386	-	233,790	66,920	300,710	-	5,884	539,953		
Professional and consulting	8,202	9,000	17,202	537	3,193	6,375	9,568	3,838	38,125	1,060	43,023	16,983	36,076	123,389		
Other expenses																
Bank charges	47,603	33,929	81,532	3,587	-	-	-	-	22	854	876	7,941	6,401	100,337		
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Property/casualty insurance	26,326	29,478	55,804	3,111	22,044	17,930	39,974	68,502	5,186	5,119	78,807	-	7,163	184,859		
Communications	29,514	28,638	58,152	4,948	28,680	20,049	48,729	-	4,884	5,522	10,406	3,613	10,449	136,297		
Postage and delivery	156	354	510	22	157	257	414	-	88	(457)	(369)	2,722	11,209	14,508		
Advertising and promotion	8,393	8,926	17,319	1,488	1,825	2,782	4,607	-	134	129	263	-	5,377	29,054		
Taxes and licenses	-	2,485	2,485	-	-	1,645	1,645	-	7,828	420	8,248	75	-	12,453		
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	8,787	-	8,787		
Depreciation	-	2,643	2,643	-	-	-	-	105,462	435,059	125,860	666,381	-	-	669,024		
Total expenses	\$ 1,482,466	\$ 1,213,483	\$ 2,695,949	\$ 159,291	\$ 519,639	\$ 601,475	\$ 1,121,114	\$ 312,008	\$ 1,143,010	\$ 611,054	\$ 2,066,072	\$ 366,797	\$ 434,105	\$ 6,843,328		

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

AMERICAN YOUTH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Camp Programs			Conference Programs	Community and School Programs			Other Program Services - Facilities and Operations								
	Miniwanca	Merrowvista	Total	National Leadership Conference	Miniwanca	Merrowvista	Total	Nonoperating	Michigan	New Hampshire	Total	General and Administrative	General Fundraising	Total		
Cost of Sales	\$ 15,647	\$ -	\$ 15,647	\$ 14,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,594	\$ 6,594	\$ -	\$ 99,951	\$ 136,193		
Personnel																
Salaries and wages	556,342	524,775	1,081,117	22,550	240,380	267,369	507,749	91,652	270,514	299,679	661,845	238,561	177,357	2,689,179		
Employee benefits	133,597	85,272	218,869	4,355	49,008	63,638	112,646	17,001	77,602	76,367	170,970	46,428	35,181	588,449		
Travel and staff development	63,758	43,336	107,094	23,434	6,295	6,927	13,222	-	16,482	5,228	21,710	13,920	7,528	186,908		
Food Services	95,825	100,018	195,843	18,730	84,341	66,407	150,748	-	167	102	269	-	-	365,590		
Supplies																
Direct program	158,080	144,227	302,307	17,200	24,596	16,360	40,956	-	392	306	698	-	2,922	364,083		
Medical, training, and office	7,210	8,383	15,593	1,997	4,812	2,840	7,652	-	682	450	1,132	102	11,282	37,758		
Janitorial and other	4,320	5,539	9,859	916	4,319	2,775	7,094	-	131	636	767	-	455	19,091		
Equipment																
Rental	32,652	27,310	59,962	238	5,085	-	5,085	-	-	-	-	-	-	65,285		
Facilities																
Utilities	43,204	36,753	79,957	6,184	43,199	27,307	70,506	-	13,339	6,334	19,673	-	3,690	180,010		
Rental	2,940	2,787	5,727	285	1,998	1,773	3,771	-	685	507	1,192	-	1,340	12,315		
Maintenance and repair	48,952	43,755	92,707	6,993	48,954	28,779	77,733	-	113,485	10,232	123,717	3,441	3,504	308,095		
Professional and consulting	5,678	17,484	23,162	919	5,194	6,321	11,515	-	37,642	1,906	39,548	16,440	32,050	123,634		
Other expenses																
Bank charges	38,798	32,319	71,117	3,612	-	-	-	-	-	-	-	6,052	7,010	87,791		
Property/casualty insurance	22,726	27,907	50,633	2,739	19,189	16,942	36,131	68,502	4,299	4,765	77,566	-	7,154	174,223		
Communications	30,438	29,108	59,546	5,291	30,261	23,783	54,044	-	8,133	3,457	11,590	4,384	12,580	147,435		
Postage and delivery	264	214	478	38	264	136	400	-	146	391	537	1,139	11,276	13,868		
Advertising and promotion	12,727	7,997	20,724	3,418	850	1,764	2,614	-	93	109	202	-	412	27,370		
Taxes and licenses	-	2,585	2,585	-	-	1,995	1,995	-	7,488	470	7,958	75	-	12,613		
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	9,195	-	9,195		
Depreciation	-	2,599	2,599	-	-	-	-	81,465	431,779	113,167	626,411	-	-	629,010		
Total expenses	\$ 1,273,158	\$ 1,142,368	\$ 2,415,526	\$ 132,900	\$ 568,745	\$ 535,116	\$ 1,103,861	\$ 258,620	\$ 983,059	\$ 530,700	\$ 1,772,379	\$ 339,737	\$ 413,692	\$ 6,178,095		

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

AMERICAN YOUTH FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (3,396,009)	\$ 3,229,400
Adjustments to reconcile change in net assets to net cash provided (used in) operating activities:		
Depreciation	669,024	629,010
Donated investments	(344,760)	(78,108)
Realized (gain) loss on investments	(1,983,783)	(1,199,288)
Unrealized (gain) loss on investments	4,638,801	(2,667,763)
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	351,149	(1,116)
Inventory	13,267	3,480
Prepaid expenses	(60,865)	(22,790)
Accounts payable	25,508	21,958
Accrued liabilities	10,050	(2,081)
Deferred revenue	933	54,825
Net cash provided by (used in) operating activities	(76,685)	(32,473)
Cash flows from investing activities		
Proceeds from sales of investments	975,649	1,057,363
Cash used to purchase investments	(523,470)	(443,186)
Investment fees	(109,437)	(103,436)
Purchases of property and equipment	(209,814)	(615,438)
Net cash provided by (used in) investing activities	132,928	(104,697)
Cash flows from financing activities		
Contributions received for long-term purposes	43,037	388,050
Net increase (decrease) in cash and cash equivalents	99,280	250,880
Cash and cash equivalents, beginning of year	2,148,841	1,897,961
Cash and cash equivalents, end of year	\$ 2,248,121	\$ 2,148,841

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, 2018 and 2017

1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The American Youth Foundation (the "Foundation") is a national, not-for-profit youth development organization with centers in Michigan and New Hampshire. The Foundation 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 Foundation is an equal opportunity employer committed to ensuring that staff and participants come from diverse backgrounds. Below are the major service categories and the related programs:

Camps

Summer Camps – As a leader in youth development, the Foundation 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 ages 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 Foundation's Community and School Programs serve thousands of youth, educators and youth advocates through programs designed to promote the discovery and development of the Foundation'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 Foundation conducts various activities that support its primary program services. Included are charter transportation used to transport participants to various Foundation program sites and other facility costs.

AMERICAN YOUTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

General and Administrative

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

Fundraising

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

Basis of Accounting/Presentation

The Foundation financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United State of America (GAAP). GAAP requires the Foundation to report information regarding its financial position and activities according to two classes of net assets depending on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

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.

Reclassifications

Certain accounts in the 2017 financial statements have been reclassified to conform with the current year financial statement presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Foundation maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to the legal limit. Management believes the Foundation 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.

AMERICAN YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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 Foundation'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 Foundation 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 and 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 2.

Accounts Receivable and Unconditional Promises to Give

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 they are determined to be uncollectable.

Inventory

Inventory consists of books held for sale in conjunction with the National Leadership Program. 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 Foundation's year-end are recorded as prepaid expenses.

AMERICAN YOUTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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.

Contributions

Contributions received are recorded as contributions without donor restrictions and with donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, net asset with donor restrictions are reclassified to net assets without donor restrictions 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. Common costs have been allocated among the programs and supporting services based on the benefits received by each activity. Methods for allocating common cost include allocation based on direct wages, program participants and other factors.

Donated Services, Facilities and Supplies

Certain professional services are donated to the Foundation 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 Foundation'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 Foundation. These items are recorded as contributions at their respective estimated fair values at the date of the donation.

AMERICAN YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

Income Taxes

The Foundation 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, 2018, the years 2015 through 2017 remain subject to examination by major taxing jurisdictions. The Foundation 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, 2018 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.

Accounting Pronouncement Adoption

The FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Foundation adopted this ASU for fiscal year 2018 and restated the 2017 balances to comply with the above noted requirements.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation had the following financial assets available within one year of the balance sheet dates to provide for general operations:

<u>Account</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,248,121	\$ 2,148,841
Accounts receivable, net	4,341	1,360
Unconditional promises to give	102,061	456,191
Investments	28,740,649	31,407,221
Less net assets with donor restrictions included above:		
Purpose restriction	(19,818,087)	(22,085,504)
Time restriction	(102,061)	(489,208)
Perpetual restriction	(860,330)	(860,330)
Less net assets without donor restriction included above:		
Board designated – available for Board appropriation	(8,623,107)	(9,013,076)
Total	<u>\$ 1,691,587</u>	<u>\$ 1,565,495</u>

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As part of its liquidity management, the Foundation collects donations and seasonal camp, conference and community and school fees that support general operations. In addition, net assets without donor restrictions (Board designated) and net assets with donor restrictions including purpose and time restrictions are typically available for appropriation and expenditure based Foundation policy and donor restrictions.

3. INVESTMENTS AND FAIR VALUE MEASUREMENT

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

<u>2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 162,156	\$ 162,156	\$ -	\$ -
Equity mutual funds	20,016,299	20,016,299	-	-
Fixed income mutual funds	8,562,194	8,562,194	-	-
	<u>\$28,740,649</u>	<u>\$28,740,649</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 141,311	\$ 141,311	\$ -	\$ -
Equity mutual funds	22,657,499	22,657,499	-	-
Fixed income mutual funds	8,578,286	8,578,286	-	-
Equities	30,125	30,125	-	-
	<u>\$31,407,221</u>	<u>\$31,407,221</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

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FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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.

4. CAMPAIGN PLEDGES RECEIVABLE

In 2014, the Foundation began a campaign fund drive, the goals of which are to raise \$2.5 million for annual scholarships and operations, \$1.5 million for facility enhancements and \$4.0 million for recognized planned gifts such as wills and estates. The discount rate used on long-term promises to give was 3%.

Unconditional promises to give received from the fund drive consist of the following:

	<u>2018</u>	<u>2017</u>
Receivable due in less than one year	\$102,061	\$456,191
Receivable due in two to four years	-	59,313
Unconditional promises to give	102,061	515,504
Less: discount to net present value	-	16,276
Unconditional promises to give, net	<u>\$102,061</u>	<u>\$499,228</u>

5. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,242,668	\$ 1,242,668
Construction in progress	805,400	651,831
Land and leasehold improvements	1,748,899	1,643,850
Buildings and improvements	16,850,575	16,984,232
Vehicles	431,674	392,495
Equipment	848,299	789,043
Total property and equipment	21,927,515	21,704,119
Less: accumulated depreciation and amortization	12,287,550	11,618,516
Property and equipment, net	<u>\$9,639,965</u>	<u>\$10,085,603</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

6. ENDOWMENT FUNDS AND NET ASSETS

The Foundation's endowment funds consist of a combination of select net assets with donor restrictions and board designated net assets without donor restrictions.

Interpretation of Relevant Law

The Foundation 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 Foundation classifies as net assets with donor restrictions (perpetually restricted) (a) the original value of gifts required to be held in perpetuity, (b) the original value of subsequent gifts required to be held in perpetuity (c) the accumulations to net assets with donor restrictions perpetually restricted required to be maintained in perpetuity as required by the donor's gift instrument. The remaining portion of the net assets with donor restrictions included in the endowment fund are donor restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate funds:

- The duration and preservation of the fund;
- The purposes of the Foundation 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 Foundation; and
- The investment policies of the Foundation.

Following is the composition of Foundation's net assets as of December 31:

	Endowment Funds				
	Net Assets Without Donor Restrictions	Net assets with Donor Restrictions		Net Assets Without Donor Restrictions	Net assets With Donor Restrictions
	Board Designated	Purpose Restriction	Perpetual Restriction	Board Designated	Purpose/Time Restricted
2018					
Capital projects and infrastructure	\$8,358,029	\$11,458,220	\$ 28,197	\$254,115	\$ (4,285)
Scholarships	-	374,906	710,222	-	467,953
Environmental awareness	-	117,478	-	-	-
Leadership	-	12,654	20,000	-	(34)
General operations	71,528	44,921	-	(60,565)	3,193
Campaign	-	427,836	-	-	-
Strategic activity	-	6,982,320	101,911	-	(67,074)
Campaign pledges receivable	-	-	-	-	102,061
Total	\$8,429,557	\$19,418,335	\$860,330	\$193,550	\$501,814

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FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

	Endowment Funds			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		Net Assets with Donor Restrictions
	<u>Board Designated</u>	<u>Purpose Restriction</u>	<u>Perpetual Restriction</u>	<u>Purpose/Time Restriction</u>
2017				
Capital projects and infrastructure	\$8,932,886	\$12,846,845	\$ 28,197	\$ (134,700)
Scholarships	-	450,417	710,222	137,724
Environmental awareness	-	125,617	-	-
Leadership	-	12,786	20,000	(3,680)
General operations	80,190	76,002	-	(17,716)
Campaign	-	138,376	-	716,709
Strategic activity	-	7,737,124	101,911	-
Campaign pledges receivable	-	-	-	489,208
Total	\$9,013,076	\$21,387,167	\$860,330	\$1,187,545

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

	Endowment Funds		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	
	<u>Board Designated</u>	<u>Purpose Restriction</u>	<u>Perpetual Restriction</u>
Net assets, January 1, 2018	\$9,013,076	\$21,387,167	\$860,330
Investment return			
Investment income, net of expense	176,976	434,166	-
Realized and unrealized gain (loss)	(760,495)	(1,460,357)	-
Contributions	-	-	-
Reclassification	-	(317,641)	-
Contributions receivable	-	-	-
Release of assets for expenditure for restricted purpose	-	(625,000)	-
Net assets, December 31, 2018	\$8,429,557	\$19,418,335	\$860,330

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

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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 Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018.

Return Objectives and Risk Parameters

The principal objectives of the Foundation'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 Foundation and 3) provide market equivalent return on investment.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation 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 Foundation 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 Foundation considered the long-term expected return on its investments. This is consistent with the Foundation'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.

7. RETIREMENT PLAN

The Foundation 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 2018 and 2017, the Foundation's contributions to the plan were \$31,374 and \$32,385 respectively.

8. RELATED PARTY TRANSACTIONS

Approximately 67% and 83% of pledges receivable at December 31, 2018 and 2017 respectively, were from individuals and organizations related to current Board members. Approximately 14% and 18% of total grants and contribution revenues received during 2018 and 2017, respectively, were from individuals and organizations related to Board members.

9. RISK MANAGEMENT

The Foundation 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.

SUPPLEMENTARY INFORMATION

AMERICAN YOUTH FOUNDATION

SCHEDULE OF PROGRAM SERVICE REVENUE AND NET ASSETS RELEASED FOR SCHOLARSHIPS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Camp Programs			Conference Programs	Community and School Programs				
	<u>Miniwanca</u>	<u>Merrowvista</u>	<u>Total</u>	<u>National Leadership Conference</u>	<u>Miniwanca</u>	<u>Merrowvista</u>	<u>Total</u>	<u>Administration</u>	<u>Grand Total</u>
Program fees									
Regular	\$ 2,246,105	\$ 1,707,940	\$ 3,954,045	\$ 191,960	\$ 332,588	\$ 594,668	\$ 927,256	\$ -	\$ 5,073,261
Less									
Financial aid and discounts	<u>333,894</u>	<u>278,380</u>	<u>612,274</u>	<u>82,808</u>	<u>46,355</u>	<u>105,151</u>	<u>151,506</u>	<u>-</u>	<u>846,588</u>
Net tuition	1,912,211	1,429,560	3,341,771	109,152	286,233	489,517	775,750	-	4,226,673
Other program service fees	55,186	17,320	72,506	57,123	265	-	265	-	129,894
Net assets released from restriction for scholarships	<u>276,369</u>	<u>68,715</u>	<u>345,084</u>	<u>42,044</u>	<u>43,100</u>	<u>59,570</u>	<u>102,670</u>	<u>-</u>	<u>489,798</u>
Total	<u>\$ 2,243,766</u>	<u>\$ 1,515,595</u>	<u>\$ 3,759,361</u>	<u>\$ 208,319</u>	<u>\$ 878,685</u>	<u>\$ 549,087</u>	<u>\$ 878,685</u>	<u>\$ -</u>	<u>\$ 4,846,365</u>