



AMERICAN YOUTH FOUNDATION

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013



Vredevelde Haefner LLC

AMERICAN YOUTH FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

April 30, 2015

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, 2014 and 2013, 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

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, 2014 and 2013, 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 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.

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AMERICAN YOUTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 and 2013

Assets	2014	2013
Current assets		
Cash and cash equivalents	\$ 704,505	\$ 413,743
Accounts receivable, net	11,134	29,429
Inventory	29,917	36,510
Unconditional promises to give, net		
Due within one year	410,121	58,385
Prepaid expenses	<u>24,198</u>	<u>24,146</u>
 Total current assets	 <u>1,179,875</u>	 <u>562,213</u>
 Long-term assets		
Investments - temporarily and unrestricted	19,470,705	18,827,202
Investments - designated	7,913,250	7,642,499
Investments - permanently restricted	860,080	860,080
Unconditional promises to give, net		
Due in more than one year	1,120,630	-
Property and equipment, net	<u>11,189,998</u>	<u>11,461,845</u>
 Total long-term assets	 <u>40,554,663</u>	 <u>38,791,626</u>
 Total assets	 <u>\$ 41,734,538</u>	 <u>\$ 39,353,839</u>
 Liabilities		
Accounts payable	\$ 109,118	\$ 169,459
Accrued liabilities	48,859	25,846
Deferred revenue	<u>250,049</u>	<u>293,093</u>
 Total liabilities	 <u>408,026</u>	 <u>488,398</u>
 Net assets		
Unrestricted		
Investment in property and equipment	11,189,998	11,461,845
Board designated	8,479,108	7,732,630
Undesignated	<u>718,546</u>	<u>312,087</u>
Total unrestricted	20,387,652	19,506,562
Temporarily restricted	20,078,780	18,498,799
Permanently restricted	<u>860,080</u>	<u>860,080</u>
 Total net assets	 <u>41,326,512</u>	 <u>38,865,441</u>
 Total liabilities and net assets	 <u>\$ 41,734,538</u>	 <u>\$ 39,353,839</u>

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

AMERICAN YOUTH FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and support				
Program fees:				
Camps	\$ 3,091,671	\$ -	\$ -	\$ 3,091,671
Conferences	188,490	-	-	188,490
Community and school programs	960,559	-	-	960,559
Financial aid and discounts	(664,329)	-	-	(664,329)
Other program service	170,764	-	-	170,764
Net program service	3,747,155	-	-	3,747,155
Grants and contributions	613,215	1,940,694	-	2,553,909
Investment income:				
Interest and dividends	504,042	299,954	-	803,996
Realized gain (loss) on investments	553,968	321,334	-	875,302
Unrealized gain (loss) on investments	26,870	16,912	-	43,782
Total investment income	1,084,880	638,200	-	1,723,080
Miscellaneous income	4,698	-	-	4,698
Total revenue and support	5,449,948	2,578,894	-	8,028,842
Net assets released from restriction scholarships	389,792	(389,792)	-	-
Net assets released from restriction other	609,121	(609,121)	-	-
Total revenue, support and release	6,448,861	1,579,981	-	8,028,842
Expenses				
Program services:				
Camps	2,079,874	-	-	2,079,874
Conferences	143,299	-	-	143,299
Community and school programs	1,006,421	-	-	1,006,421
Facilities and operations	1,491,360	-	-	1,491,360
Total program services	4,720,954	-	-	4,720,954
General and administrative	419,359	-	-	419,359
Fundraising	427,458	-	-	427,458
Total expenses	5,567,771	-	-	5,567,771
Change in net assets	881,090	1,579,981	-	2,461,071
Net assets, beginning of year	19,506,562	18,498,799	860,080	38,865,441
Net assets, end of year	\$ 20,387,652	\$ 20,078,780	\$ 860,080	\$ 41,326,512

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

2013			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,954,871	\$ -	\$ -	\$ 2,954,871
165,380	-	-	165,380
959,106	-	-	959,106
(638,183)	-	-	(638,183)
191,141	-	-	191,141
<u>3,632,315</u>	<u>-</u>	<u>-</u>	<u>3,632,315</u>
<u>466,763</u>	<u>294,554</u>	<u>2,597</u>	<u>763,914</u>
267,515	314,039	-	581,554
156,258	183,433	-	339,691
<u>1,374,206</u>	<u>1,594,721</u>	<u>-</u>	<u>2,968,927</u>
<u>1,797,979</u>	<u>2,092,193</u>	<u>-</u>	<u>3,890,172</u>
<u>3,893</u>	<u>-</u>	<u>-</u>	<u>3,893</u>
5,900,950	2,386,747	2,597	8,290,294
434,592	(434,592)	-	-
<u>491,484</u>	<u>(491,484)</u>	<u>-</u>	<u>-</u>
<u>6,827,026</u>	<u>1,460,671</u>	<u>2,597</u>	<u>8,290,294</u>
1,904,335	-	-	1,904,335
145,534	-	-	145,534
1,060,826	-	-	1,060,826
<u>1,702,126</u>	<u>-</u>	<u>-</u>	<u>1,702,126</u>
4,812,821	-	-	4,812,821
453,008	-	-	453,008
<u>355,524</u>	<u>-</u>	<u>-</u>	<u>355,524</u>
<u>5,621,353</u>	<u>-</u>	<u>-</u>	<u>5,621,353</u>
1,205,673	1,460,671	2,597	2,668,941
<u>18,300,889</u>	<u>17,038,128</u>	<u>857,483</u>	<u>36,196,500</u>
<u>\$ 19,506,562</u>	<u>\$ 18,498,799</u>	<u>\$ 860,080</u>	<u>\$ 38,865,441</u>

AMERICAN YOUTH FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 2,461,071	\$ 2,668,941
Adjustments to reconcile change in net assets to net cash provided (used in) operating activities:		
Depreciation	663,352	667,085
Contributions restricted for long-term purposes	-	(2,597)
Donated investments	(1,102,339)	(64,417)
Realized (gain) loss on investments	(875,302)	(339,691)
Unrealized (gain) loss on investments	(43,782)	(2,968,927)
Changes in operating assets and liabilities which provided (used) cash:		
Receivables	(333,441)	(43,430)
Inventory	6,593	29,392
Prepaid expenses	(52)	24,098
Accounts payable	(60,341)	41,010
Accrued liabilities	23,013	(51,856)
Deferred revenue	(43,044)	72,831
Net cash provided by (used in) operating activities	<u>695,728</u>	<u>32,439</u>
Cash flows from investing activities		
Proceeds from sales of investments	1,825,874	658,490
Cash used to purchase investments	(619,463)	(395,631)
Investment fees	(99,242)	(90,874)
Purchases of property and equipment	(391,505)	(221,026)
Net cash provided by (used in) investing activities	<u>715,664</u>	<u>(49,041)</u>
Cash flows from financing activities		
Contributions received for long-term purposes	(1,120,630)	2,940
Net increase (decrease) in cash and cash equivalents	290,762	(13,662)
Cash and cash equivalents, beginning of year	<u>413,743</u>	<u>427,405</u>
Cash and cash equivalents, end of year	<u>\$ 704,505</u>	<u>\$ 413,743</u>

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, 2014 and 2013

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, 2014 and 2013

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 Presentation

The Foundation 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 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.

AMERICAN YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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.

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 clothing and other goods sold at the Merrowvista camp store as well as 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.

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, 2014 and 2013

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 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.

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, 2014, the years 2010 through 2013 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, 2014 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, 2014 and 2013

2. 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:

2013	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>

2014	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash	\$ 122,018	\$ 122,018	\$ -	\$ -
Equity mutual funds	20,098,255	20,098,255	-	-
Fixed income mutual funds	8,023,762	8,023,762	-	-
	<u>\$28,244,035</u>	<u>\$28,244,035</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, 2014 and 2013

3. CAMPAIGN PLEDGES RECEIVABLE

In 2014, the Foundation began a \$8 million 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% in 2014.

Unconditional promises to give consist of the following:

	<u>2014</u>
Receivable due in less than one year	\$ 422,575
Receivable due in two to four years	<u>1,224,840</u>
Gross unconditional promises to give	1,647,415
Less: discount to net present value	<u>116,664</u>
Unconditional promises to give, net	<u><u>\$1,530,751</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,242,668	\$ 1,242,668
Construction in progress	594,597	260,979
Land and leasehold improvements	1,557,861	1,557,861
Buildings and improvements	16,301,386	16,301,386
Vehicles	462,486	404,601
Equipment	<u>872,464</u>	<u>872,464</u>
Total property and equipment	21,031,462	20,639,959
Less: accumulated depreciation and amortization	<u>9,841,464</u>	<u>9,178,114</u>
Property and equipment, net	<u><u>\$ 11,189,998</u></u>	<u><u>\$ 11,461,845</u></u>

5. ENDOWMENT FUNDS AND NET ASSETS

The Foundation'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 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 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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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 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:

	<u>Endowment Funds</u>				
	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>
<u>2013</u>					
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	-	-
Total	\$7,642,499	\$18,348,568	\$860,080	\$90,131	\$150,231
<u>2014</u>					
Capital projects and infrastructure	\$7,913,250	\$11,326,188	\$ 28,197	\$ -	\$ 42,319
Scholarships	-	137,622	709,972	-	55,188
Environmental awareness	-	104,118	-	-	-
Leadership	-	7,008	20,000	-	9,190
General operations	-	40,454	-	90,131	4,790
Campaign	-	-	-	475,727	252,170
Strategic activity	-	6,568,982	101,911	-	-
Campaign pledges receivable	-	-	-	-	1,530,751
Total	\$7,913,250	\$18,184,372	\$860,080	\$565,858	\$1,894,408

The Foundation also had unrestricted funds invested within the endowment funds totaling \$1,286,333 and \$478,634 at December 31, 2014 and 2013, respectively.

AMERICAN YOUTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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

	Endowment Funds				
	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>
Net assets, January 1, 2013	\$6,824,540	\$16,923,082	\$857,483	\$27,057	\$115,046
Investment return					
Investment income, net of expense	162,492	313,640	-	1,429	399
Realized and unrealized gain (loss)	920,789	1,775,890	-	8,095	2,264
Contributions	-	935	2,597	53,550	293,619
Release of assets for expenditure for restricted purpose	(265,322)	(664,979)	-	-	(261,097)
Net assets, December 31, 2013	\$7,642,499	\$18,348,568	\$860,080	\$90,131	\$150,231
Investment return					
Investment income, net of expense	127,253	294,687	-	-	5,267
Realized and unrealized gain (loss)	143,498	332,306	-	-	5,940
Contributions	-	250	-	570,129	409,713
Contributions receivable	-	-	-	-	1,530,731
Release of assets for expenditure for restricted purpose	-	(791,439)	-	(94,402)	(207,474)
Net assets, December 31, 2014	\$7,913,250	\$18,184,372	\$860,080	\$565,858	\$1,894,408

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 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.

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, 2014.

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.

AMERICAN YOUTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

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.

6. 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 2014 and 2013 the Foundation's contributions to the plan were \$31,907 and \$35,900 respectively.

7. RELATED PARTY TRANSACTIONS

Approximately 76% and 67% of pledges receivable at December 31, 2014 and 2013, respectively, were from individuals and organizations related to current Board members. Approximately 69% and 44% of total grants and contributions revenues received during 2014 and 2013, respectively, were from individuals and organizations related to Board members.

8. 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.

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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, 2014

	Camp Programs			Conference Programs	Community and School Programs			Administration	Grand Total
	Miniwanca	Merrowvista	Total	National Leadership Conference	Miniwanca	Merrowvista	Total		
Program fees									
Regular	\$ 1,638,630	\$ 1,453,041	\$ 3,091,671	\$ 188,490	\$ 385,715	\$ 574,844	\$ 960,559	\$ -	\$ 4,240,720
Less									
Financial aid and discounts	<u>169,929</u>	<u>178,064</u>	<u>347,993</u>	<u>87,615</u>	<u>109,788</u>	<u>118,933</u>	<u>228,721</u>	<u>-</u>	<u>664,329</u>
Net tuition	1,468,701	1,274,977	2,743,678	100,875	275,927	455,911	731,838	-	3,576,391
Other program service fees	52,624	30,249	82,873	86,736	880	-	880	275	170,764
Net assets released from restriction for scholarships	<u>104,042</u>	<u>33,562</u>	<u>137,604</u>	<u>50,411</u>	<u>108,038</u>	<u>93,739</u>	<u>201,777</u>	<u>-</u>	<u>389,792</u>
Total	<u>\$ 1,625,367</u>	<u>\$ 1,338,788</u>	<u>\$ 2,964,155</u>	<u>\$ 238,022</u>	<u>\$ 384,845</u>	<u>\$ 549,650</u>	<u>\$ 934,495</u>	<u>\$ 275</u>	<u>\$ 4,136,947</u>

AMERICAN YOUTH FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Camp Programs			Conference Programs	Community and School Programs			Other Program Services - Facilities and Operations				Fundraising				
	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	\$ 14,935	\$ -	\$ 14,935	\$ 13,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,435	\$ 7,435	\$ -	\$ 550	\$ 60,482	\$ 61,032	\$ 96,802
Personnel																
Salaries and wages	456,071	456,544	912,615	46,419	188,910	286,294	475,204	107,555	200,956	223,829	532,340	198,527	23,290	148,112	171,402	2,336,507
Employee benefits	93,611	81,326	174,937	11,137	48,464	52,058	100,522	25,857	60,852	60,281	146,990	56,502	3,084	36,676	39,760	529,848
Travel and staff develop	28,298	16,724	45,022	6,574	5,902	5,051	10,953	-	1,112	3,738	4,850	21,502	21,138	3,856	24,994	113,895
Food Services	80,669	86,502	167,171	16,738	75,400	65,482	140,882	-	50	347	397	-	-	-	-	325,188
Supplies																
Direct program	134,926	144,190	279,116	12,923	15,734	10,492	26,226	-	21	509	530	-	-	524	524	319,319
Medical, training, and	8,970	6,538	15,508	4,082	2,668	2,638	5,306	-	484	476	960	430	66	9,975	10,041	36,327
Janitorial and other	4,926	4,640	9,566	753	4,927	1,875	6,802	-	1,026	370	1,396	-	-	150	150	18,667
Equipment																
Minor purchases	-	31,375	31,375	-	-	-	-	-	-	-	-	-	-	-	-	31,375
Rental	15,815	22,480	38,295	332	208	-	208	-	-	-	-	-	-	-	-	38,835
Facilities																
Utilities	52,269	44,145	96,414	7,515	52,269	28,084	80,353	-	12,302	8,025	20,327	-	-	3,157	3,157	207,766
Rental	2,233	3,349	5,582	197	1,297	2,131	3,428	-	303	609	912	-	4,000	1,452	5,452	15,571
Maintenance and repa	26,224	32,068	58,292	3,758	26,224	20,255	46,479	-	6,338	11,006	17,344	2,262	282	1,357	1,639	129,774
Professional and consul	24,825	17,111	41,936	5,033	7,832	13,512	21,344	-	2,720	7,986	10,706	25,829	32,385	25,284	57,669	162,517
Other expenses																
Bank /investment char	31,309	27,205	58,514	3,854	297	156	453	-	44	-	44	107,450	-	4,102	4,102	174,417
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property/casualty insu	21,692	30,799	52,491	3,612	24,328	18,613	42,941	63,132	1,782	2,572	67,486	-	-	15,910	15,910	182,440
Communications	24,004	24,132	48,136	3,241	21,748	17,148	38,896	-	5,449	4,221	9,670	917	-	13,401	13,401	114,261
Postage and delivery	670	2,875	3,545	96	670	1,801	2,471	-	335	444	779	948	6,111	10,146	16,257	24,096
Advertising and promc	12,526	10,370	22,896	3,635	1,264	1,271	2,535	-	105	105	210	-	-	1,968	1,968	31,244
Taxes and licenses	-	2,228	2,228	-	-	1,418	1,418	-	6,527	405	6,932	75	-	-	-	10,653
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	4,917	-	-	-	4,917
Depreciation	-	1,300	1,300	-	-	-	-	84,856	438,231	138,965	662,052	-	-	-	-	663,352
Total expenses	\$ 1,033,973	\$ 1,045,901	\$ 2,079,874	\$ 143,299	\$ 478,142	\$ 528,279	\$ 1,006,421	\$ 281,400	\$ 738,637	\$ 471,323	\$ 1,491,360	\$ 419,359	\$ 90,906	\$ 336,552	\$ 427,458	\$ 5,567,771