

Young America's Foundation

Financial Statements
For the Years Ended
December 31, 2007 and 2006
With Independent Auditors' Report

Young America's Foundation
Financial Statements
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With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
YOUNG AMERICA'S FOUNDATION
Herndon, Virginia

We have audited the accompanying statements of financial position of YOUNG AMERICA'S FOUNDATION (the "Foundation") as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YOUNG AMERICA'S FOUNDATION as of December 31, 2007 and 2006, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald & Co., CPAs, P.C.

McLean, Virginia
November 11, 2008

Young America's Foundation
Statements of Financial Position
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,141,959	\$ 4,276,343
Investments	3,577,643	1,988,782
Accounts receivable, net of allowance	71,100	63,922
Bequests receivable	1,246,000	-
Promises to give	1,310,989	2,496,275
Total current assets	<u>9,347,691</u>	<u>8,825,322</u>
NONCURRENT INVESTMENTS	5,250,413	3,797,503
PROPERTY, BUILDINGS & EQUIPMENT, net	21,693,003	22,235,887
CONSTRUCTION IN PROCESS	132,770	-
OTHER ASSETS:		
Promises to give, net	289,408	1,147,980
Property held for sale	320,000	320,000
Collections	976,428	949,108
Deposits	46,584	37,525
Derivative asset	-	45,298
Beneficial interests in charitable remainder trusts	286,229	47,453
Total other assets	<u>1,918,649</u>	<u>2,547,364</u>
	<u>\$ 38,342,526</u>	<u>\$ 37,406,076</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,454,052	\$ 858,527
Annuities payable	197,061	140,387
Notes payable	672,858	542,276
Total current liabilities	<u>2,323,971</u>	<u>1,541,190</u>
LONG-TERM LIABILITIES:		
Notes payable	4,221,326	5,759,455
Annuities payable	825,489	630,322
Derivative liability	134,294	-
Total long-term liabilities	<u>5,181,109</u>	<u>6,389,777</u>
Total liabilities	<u>7,505,080</u>	<u>7,930,967</u>
COMMITMENTS	-	-
NET ASSETS:		
Unrestricted	22,275,930	22,692,546
Temporarily restricted	5,391,516	4,432,563
Permanently restricted	3,170,000	2,350,000
Total net assets	<u>30,837,446</u>	<u>29,475,109</u>
	<u>\$ 38,342,526</u>	<u>\$ 37,406,076</u>

Young America's Foundation

Statements of Activities

For the Years Ended December 31, 2007 and 2006

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	\$ 9,613,042	\$ 3,094,906	\$ 820,000	\$ 13,527,948	\$ 10,260,702	\$ 5,434,561	\$ 1,080,000	\$ 16,775,263
Bequests	782,224	900,000	-	1,682,224	285,607	-	-	285,607
Conference income	59,840	-	-	59,840	23,602	-	-	23,602
Speaker income	772,467	-	-	772,467	683,710	-	-	683,710
List rental income	193,394	-	-	193,394	197,248	-	-	197,248
Publication sales	9,328	-	-	9,328	6,116	-	-	6,116
Gain (Loss) on interest rate swap	(179,592)	-	-	(179,592)	35,893	-	-	35,893
Change in value of annuities	94,998	-	-	94,998	(1,490)	-	-	(1,490)
Rental income	49,183	-	-	49,183	32,830	-	-	32,830
Investment return	389,263	-	-	389,263	770,776	-	-	770,776
Other income	48,225	-	-	48,225	79,521	-	-	79,521
Net assets released from restriction	3,035,953	(3,035,953)	-	-	5,468,466	(5,468,466)	-	-
Total support and revenue	<u>14,868,325</u>	<u>958,953</u>	<u>820,000</u>	<u>16,647,278</u>	<u>17,842,981</u>	<u>(33,905)</u>	<u>1,080,000</u>	<u>18,889,076</u>
EXPENSES:								
Program services:								
Public information	4,855,185	-	-	4,855,185	4,021,615	-	-	4,021,615
Special Projects	8,178,964	-	-	8,178,964	6,783,175	-	-	6,783,175
Total program services	<u>13,034,149</u>	<u>-</u>	<u>-</u>	<u>13,034,149</u>	<u>10,804,790</u>	<u>-</u>	<u>-</u>	<u>10,804,790</u>
Supporting services:								
Fundraising	1,464,176	-	-	1,464,176	1,706,156	-	-	1,706,156
Management and general	786,616	-	-	786,616	645,824	-	-	645,824
Total supporting services	<u>2,250,792</u>	<u>-</u>	<u>-</u>	<u>2,250,792</u>	<u>2,351,980</u>	<u>-</u>	<u>-</u>	<u>2,351,980</u>
Total expenses	<u>15,284,941</u>	<u>-</u>	<u>-</u>	<u>15,284,941</u>	<u>13,156,770</u>	<u>-</u>	<u>-</u>	<u>13,156,770</u>
CHANGE IN NET ASSETS	(416,616)	958,953	820,000	1,362,337	4,686,211	(33,905)	1,080,000	5,732,306
NET ASSETS, BEGINNING OF YEAR	<u>22,692,546</u>	<u>4,432,563</u>	<u>2,350,000</u>	<u>29,475,109</u>	<u>18,006,335</u>	<u>4,466,468</u>	<u>1,270,000</u>	<u>23,742,803</u>
NET ASSETS, END OF YEAR	<u>\$ 22,275,930</u>	<u>\$ 5,391,516</u>	<u>\$ 3,170,000</u>	<u>\$ 30,837,446</u>	<u>\$ 22,692,546</u>	<u>\$ 4,432,563</u>	<u>\$ 2,350,000</u>	<u>\$ 29,475,109</u>

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

Young America's Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2007

	Program Services			Supporting Services			Total 2007
	Public Information	Special Projects	Total	Fund- raising	Management and General	Total	
Advertising	\$ 8,882	\$ 77,118	\$ 86,000	\$ 30,290	\$ 75	\$ 30,365	\$ 116,365
Bad debt	-	75,032	75,032	-	-	-	75,032
Bank charges	22,899	598	23,497	-	14,703	14,703	38,200
Conferences, banquets & meetings	6,582	972,649	979,231	-	607	607	979,838
Consulting & outsourcing	183,561	195,302	378,863	29,718	72,493	102,211	481,074
Depreciation	70,384	398,555	468,939	122,546	66,305	188,851	657,790
Equipment and maintenance	74,974	167,372	242,346	-	22,008	22,008	264,354
Honorarium	-	1,287,715	1,287,715	-	4,000	4,000	1,291,715
Insurance	12,001	158,357	170,358	3,880	10,772	14,652	185,010
Interest	1,820	456,184	458,004	3	275	278	458,282
List rental	213,617	-	213,617	44,978	-	44,978	258,595
Maintenance and preservation - Reagan Ranch	-	90,009	90,009	-	-	-	90,009
Other taxes and fees	-	-	-	-	921	921	921
Payroll taxes	20,805	117,809	138,614	36,224	19,599	55,823	194,437
Penalties	279	1,323	1,602	-	38	38	1,640
Personal property tax	2,504	156	2,660	-	5,996	5,996	8,656
Postage and shipping	1,465,068	214,312	1,679,380	206,292	507	206,799	1,886,179
Printing	855,280	172,661	1,027,941	130,138	368	130,506	1,158,447
Professional fees	1,221,991	134,594	1,356,585	164,025	122,693	286,718	1,643,303
Publications	65,249	330,677	395,926	7,995	2,860	10,855	406,781
Real estate tax	4,399	92,522	96,921	-	8,347	8,347	105,268
Rent and occupancy	18,446	178,671	197,117	1,021	41,133	42,154	239,271
Salaries and benefits	377,099	2,135,372	2,512,471	656,577	355,249	1,011,826	3,524,297
Scholarships	-	174,269	174,269	-	-	-	174,269
Supplies and miscellaneous	190,568	184,486	375,054	24,600	31,995	56,595	431,649
Telecommunications	4,453	68,197	72,650	-	5,672	5,672	78,322
Travel	34,324	495,024	529,348	5,889	-	5,889	535,237
	<u>\$ 4,855,185</u>	<u>\$ 8,178,964</u>	<u>\$ 13,034,149</u>	<u>\$ 1,464,176</u>	<u>\$ 786,616</u>	<u>\$ 2,250,792</u>	<u>\$ 15,284,941</u>

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

Young America's Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2006

				Supporting Services			Total 2006
	Public Information	Special Projects	Total	Fund- raising	Management and General	Total	
Advertising	\$ 4,841	\$ 70,715	\$ 75,556	\$ 10,861	\$ -	\$ 10,861	\$ 86,417
Bad debt	-	88,470	88,470	-	1,017	1,017	89,487
Bank charges and investment fees	13,635	502	14,137	-	20,993	20,993	35,130
Conferences, banquets & meetings	6,115	903,672	909,787	-	564	564	910,351
Consulting & outsourcing	132,049	123,251	255,300	5,663	16,487	22,150	277,450
Depreciation	22,194	124,384	146,578	43,862	20,130	63,992	210,570
Equipment and maintenance	24,860	192,368	217,228	53	3,414	3,467	220,695
Honorarium	-	1,038,228	1,038,228	-	-	-	1,038,228
Insurance	78	6,668	6,746	87	54,736	54,823	61,569
Interest	-	-	-	-	-	-	-
List rental	156,187	27,300	183,487	93,582	-	93,582	277,069
Maintenance and preservation - Reagan Ranch	-	90,413	90,413	-	-	-	90,413
Other taxes and fees	-	6,313	6,313	-	4,343	4,343	10,656
Payroll taxes	24,412	136,813	161,225	48,245	22,142	70,387	231,612
Penalties	259	1,604	1,863	-	641	641	2,504
Personal property tax	-	242	242	-	5,817	5,817	6,059
Postage and shipping	1,155,680	482,113	1,637,793	386,636	7,752	394,388	2,032,181
Printing	738,467	257,431	995,898	277,501	1,407	278,908	1,274,806
Professional fees	1,274,032	137,733	1,411,765	172,167	137,733	309,900	1,721,665
Publications	27,013	111,204	138,217	1,219	196	1,415	139,632
Real estate tax	2,115	103,027	105,142	-	8,503	8,503	113,645
Rent and occupancy	8,422	223,693	232,115	5,914	20,826	26,740	258,855
Salaries and benefits	329,194	1,844,922	2,174,116	650,579	298,586	949,165	3,123,281
Scholarships	-	77,171	77,171	-	-	-	77,171
Supplies and miscellaneous	81,581	127,392	208,973	6,484	7,731	14,215	223,188
Telecommunications	3,831	48,476	52,307	521	9,115	9,636	61,943
Travel	16,650	559,070	575,720	2,782	3,691	6,473	582,193
	<u>\$ 4,021,615</u>	<u>6,783,175</u>	<u>10,804,790</u>	<u>\$ 1,706,156</u>	<u>\$ 645,824</u>	<u>\$ 2,351,980</u>	<u>\$ 13,156,770</u>

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

Young America's Foundation

Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,362,337	\$ 5,732,306
Adjustments to reconcile change in net assets to net cash provide by operating activities:		
Depreciation	657,790	210,570
Contributed investments	(777,839)	(452,176)
Unrealized (gain)/loss on interest rate swap	179,592	(35,893)
Contributed collections	-	(4,833)
Actuarial change in annuity liability	89,487	99,080
Unrealized (gain) loss on marketable securities	(591)	(451,588)
Beneficial interests	(238,776)	-
Receipt of permanently restricted contributions	(820,000)	(2,080,000)
Changes in assets and liabilities affecting operations:		
Accounts receivable	(7,178)	(20,856)
Bequests receivable	(1,246,000)	2,776,244
Promises to give	2,043,858	(1,697,358)
Deposits	(9,059)	(13,165)
Accounts payable and accrued expenses	595,525	(240,967)
Deposit liability	-	(2,400)
Net cash provided by operating activities	<u>1,829,146</u>	<u>3,818,964</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	1,843,998	593,965
Purchase of investments	(4,107,339)	(291,626)
Purchase of property and equipment	(142,226)	(7,920,751)
Construction in process	(132,770)	-
Net cash used in investing activities	<u>(2,538,337)</u>	<u>(7,618,412)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new borrowings	-	3,829,467
Repayments of notes payable	(1,407,547)	-
Annuities issued	329,370	87,459
Payments on annuities	(167,016)	(133,045)
Receipt of permanently restricted contributions	820,000	2,080,000
Net cash provided by (used in) financing activities	<u>(425,193)</u>	<u>5,863,881</u>
NET CHANGE IN CASH	(1,134,384)	2,064,433
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,276,343</u>	<u>2,211,910</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>3,141,959</u>	\$ <u>4,276,343</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	\$ <u>458,332</u>	\$ <u>403,635</u>
Interest capitalized during the year	\$ <u>-</u>	\$ <u>403,635</u>

Young America's Foundation

Notes to Financial Statements

December 31, 2007 and 2006

A. ORGANIZATION

Young America's Foundation (the "Foundation") is a not-for-profit organization chartered on November 18, 1969. The Foundation was organized to promote, encourage, and support the development of campus leadership through a series of programs designed to assist young people on the campus in acquiring the techniques of leadership, experience in the national life, and generally to encourage leadership roles in the life of the community and nation.

The Foundation's two main programs are special projects and public information. The special projects include lectures, conferences, internships, the National Journalism Center, and the Reagan Ranch program. The public information category provides educational and informational materials through the Foundation's media and communications activities including its web site, newsletters and mailings to the Foundation's target audience in support of its programs.

The Foundation's program activities include:

The Reagan Ranch Program is devoted to preserving and protecting President Ronald Reagan's Rancho del Cielo located in California and educating young people on the President's ideas of individual freedom, limited government, patriotism, and traditional values.

The National Journalism Center is devoted to accuracy, balance, and comprehension of the issues, training students in the skills of press work, and assigning internships at cooperating media locations.

The National Conservative Student Conference is a premier youth-oriented, week-long conference introducing students to the ideas that make our country great: individual freedom, limited government, a strong national defense, free enterprise and traditional values.

The High School Conference is similar to the college conference, giving teenage students the same opportunities as the college conference, only geared to a more youthful group of students.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under this basis, revenue is recognized when earned and expenses are recognized as incurred.

Use of estimates and assumptions - Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used. Significant estimates relate to the valuation of contributed assets, depreciation, discounting pledges and annuities payable.

Young America's Foundation

Notes to Financial Statements

December 31, 2007 and 2006

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2007 and 2006, the Foundation had \$5,391,516 and \$4,432,563, respectively, in temporarily restricted net assets and \$3,170,000 and \$2,350,000 in permanently restricted net assets respectively.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent endowments to be held in perpetuity.

Temporarily restricted contributions received in the current year whose restrictions are met during the current year are classified as unrestricted support.

Cash and cash equivalents - For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents with donor imposed restrictions that limit their use to long-term purposes are classified as non-current investments.

Investments - Investments are reported at fair market value and contributions of marketable securities are recorded at their fair market value at the date of donation. Fair market value is determined from published market data. Non-current investments include investments received with donor-imposed restrictions that limit their use to long-term purposes as temporarily or permanently restricted investments.

Property, buildings and equipment - Property, buildings and equipment is stated at cost and is depreciated using the straight-line method over an estimated useful life of three to five years for equipment and thirty to forty years for property. Property, buildings and equipment additions, and improvements acquired at a cost greater than \$500 are capitalized. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Accounts receivable - The Foundation uses the allowance method to account for amounts, if any, of its accounts receivable, which are considered uncollectible. The Foundation bases its assessment of the allowance for doubtful accounts on historical losses and current economic conditions. Accounts receivable are determined to be past due based on a contractual term of 30 days. As of December 31, 2007 and 2006, the allowance for doubtful accounts was \$56,032 and \$49,370, respectively.

Bequest receivable - The Foundation records bequests to be received as income when it has received notification from the estate of an unconditional bequest that is measurable.

Young America's Foundation

Notes to Financial Statements

December 31, 2007 and 2006

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give - As of December 31, 2007 and 2006, the outstanding balances of promises to give made by donors were \$1,705,926 and \$3,792,237, respectively. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows and are reflected net of a discount of \$105,529 and \$147,982 for the years ended December 31, 2007 and 2006, calculated using a discount rate of five percent. Management does not believe that any allowance for uncollectible promises to give is necessary. All of the promises to give are expected to be collected within five years.

Annuities payable - The liability for annuities is based upon actuarially determined present values considering the annuities payable to the income beneficiaries and the life expectancies and applicable discount rates based on federal tables. An actuarial adjustment is recognized in the statements of activities for changes in the value.

Advertising costs - Advertising costs are expensed as incurred. For the years ended December 31, 2007 and 2006, advertising costs totaled \$116,365 and \$86,417, respectively.

Functional allocation of expenses - The Foundation's expenses have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the areas benefited.

Costs of joint activities - Statement of Position 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising", establishes accounting standards for recording costs associated with joint activities (activities which are part fundraising and have elements of one or more other functions, such as program or management and general). The pronouncement requires that the criteria of purpose, audience and content be met in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Contributed assets - The Foundation records contributed assets based on fair value at the time of contribution unless the fair value is not determinable within reasonable limits in accordance with Accounting Principles Board Opinion 29 "Accounting for Non-monetary Transactions."

Income taxes - The Internal Revenue Service has recognized the Foundation as a Section 501(c)(3) organization exempt from income tax under Section 501(a) of the Internal Revenue Code and applicable income tax regulations of the Commonwealth of Virginia.

Reclassifications - Certain 2006 financial information has been reclassified to conform to the 2007 presentation.

C. INVESTMENTS

Investments at December 31, 2007 and 2006 consisted of short-term investments in marketable equity and debt securities and mutual funds totaling \$3,577,643 and \$1,988,782, respectively and non-current investments in the amounts of \$5,250,413 and \$3,797,503, respectively. The Foundation considers investment return on restricted funds to be unrestricted support if restrictions are met during the fiscal year. All investments are recorded at their fair market value using published market data.

Young America's Foundation

Notes to Financial Statements

December 31, 2007 and 2006

C. INVESTMENTS (continued)

The Foundation received donations with respect to charitable gift annuities from various donors (See Note M). The funds are restricted until the obligations under the annuities have been met.

Investments consisted of the following as of December 31:

	<u>2007</u>	<u>2006</u>
Short-term investments:		
Equity securities	\$ 2,406,822	\$ 1,891,917
Debt securities	1,113,787	96,865
Mutual funds	<u>57,034</u>	<u>-</u>
	<u>3,577,643</u>	<u>1,988,782</u>
Noncurrent investments:		
Permanently restricted net assets:		
Equities and mutual funds	<u>3,170,000</u>	<u>2,350,000</u>
	<u>3,170,000</u>	<u>2,350,000</u>
Annuities:		
Investment cash	90,804	72,049
Equity securities	845,698	547,089
Mutual funds	<u>1,143,911</u>	<u>828,365</u>
	<u>2,080,413</u>	<u>1,447,503</u>
Total noncurrent investments	<u>5,250,413</u>	<u>3,797,503</u>
Total investments	\$ <u>8,828,056</u>	\$ <u>5,786,285</u>

Investment return consisted of the following for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Investment return:		
Interest and dividends	\$ <u>582,367</u>	\$ <u>429,510</u>
Realized/unrealized gains (losses)	<u>(591)</u>	<u>451,588</u>
Gross investment return	581,776	881,098
Less: Investment gain on annuities included in change in value of annuities	<u>(192,513)</u>	<u>(110,322)</u>
	\$ <u>389,263</u>	\$ <u>770,776</u>

Young America's Foundation

Notes to Financial Statements

December 31, 2007 and 2006

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2007 and 2006 are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Program assistance:		
Wood Lecture Series	\$ 52,528	\$ 76,498
Reagan Ranch Center	<u>1,149,299</u>	<u>-</u>
	<u>1,201,827</u>	<u>76,498</u>
Time restricted for periods after December 31:		
Promises to give	1,600,397	3,644,255
Bequests receivable	1,246,000	-
Beneficial interests in charitable trusts	286,229	47,453
Gift annuities	<u>1,057,063</u>	<u>664,357</u>
	<u>4,189,689</u>	<u>4,356,065</u>
Total temporarily restricted net assets	<u>\$ 5,391,516</u>	<u>\$ 4,432,563</u>

E. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of donations made with the restriction that the principal be maintained in perpetuity. The income earned on this principal is restricted for the purpose of internships, scholarships, the annual high school conference and the Reagan Ranch. Permanently restricted assets amounted to \$3,170,000 and \$2,350,000 as of December 31, 2007 and 2006 respectively.

The Foundation received an endowment in the amount of \$200,000 for the purpose of supporting the Foundation's intern program. Additionally, the Foundation received endowments in the amount of \$100,000 for the purpose of awarding scholarships, \$1,000,000 for the high school conference, \$1,250,000 for the Reagan Ranch Program, \$500,000 for the Yale Lecture Series, and \$120,000 for a training seminar. Funds related to endowments are permanently restricted and are to be held in perpetuity.

F. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors, are as follows for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Honorariums	\$ 23,970	\$ 36,750
Time Restricted	<u>3,011,983</u>	<u>5,431,716</u>
	<u>\$ 3,035,953</u>	<u>\$ 5,468,466</u>

Young America's Foundation

Notes to Financial Statements

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G. PROPERTY, BUILDINGS AND EQUIPMENT

The following is a summary of property, buildings and equipment, and accumulated depreciation as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Building and land	\$ 22,579,240	\$ 22,572,142
Furniture and equipment	<u>1,321,833</u>	<u>1,255,098</u>
	23,901,073	23,827,240
Less: accumulated depreciation	<u>(2,208,070)</u>	<u>(1,591,353)</u>
	<u>\$ 21,693,003</u>	<u>\$ 22,235,887</u>

Among other properties, the Foundation owns and maintains a 688 acre ranch in California, previously owned by President and Mrs. Ronald Reagan. The Foundation considers this ranch to be a historical treasure. The Reagan Ranch Home Collection was acquired with the purchase of the ranch and is included in the carrying cost of the Reagan Ranch. Property, buildings and equipment includes the cost of the Reagan Ranch.

Depreciation expense totaled \$657,790 and \$210,570, respectively for the years ended December 31, 2007 and 2006.

H. COLLECTIONS

The Foundation holds collections for educational purposes such as exhibition to the public or public research and not for financial gain. These items are protected, cared for and preserved in keeping with standard museum practice. The Foundation has not adopted a policy that requires revenue from the sale of any collections to be reinvested in other collections. The Foundation has no plans to sell or de-accessorize these collections. Collections have been recorded as assets at cost, if purchased or at estimated fair market value of the date of contribution, if contributed. Depreciation is not recorded on collections.

I. NOTES PAYABLE

The Foundation has a note payable with a financial institution in the amount of \$4,865,419 with an interest rate of 7.75%. The note payable is secured by a deed of trust on a four-story commercial real estate property owned by the Foundation in Santa Barbara, California ("the Property"). The note calls for monthly payments of interest plus quarterly payments of 1/48 of the outstanding principal balance with the principal payment rounded up to the next \$10,000. The note has a maturity date of January 31, 2012.

Additionally, the Foundation purchased two vehicles during 2005 for use at the Reagan Ranch in Santa Barbara, California. These vehicles were financed with four year notes payable through the selling dealership. At December 31, 2007 the two notes had balances of \$9,772, on which the Foundation is paying 9.9% interest, and \$18,993, on which the Foundation is paying 8.25% interest.

Young America's Foundation

Notes to Financial Statements
December 31, 2007 and 2006

I. NOTES PAYABLE (continued)

Future maturities of the notes payable and capital leases at December 31, 2007 are as follows:

For the years ending December 31,

2008	\$ 672,858
2009	534,907
2010	524,000
2011	524,000
2012	<u>2,638,419</u>
	\$ <u>4,894,184</u>

J. DERIVATIVE INSTRUMENT

In July 2005, the Foundation entered into a debt related interest rate swap agreement with a financial institution. This interest rate swap was used as a cash flow hedge to synthetically fix the rate on the note payable and to eliminate changes in the market interest rates. The fair market value of the swap at December 31, 2007 totaled a liability of \$134,294 as provided by the financial institution. The change in the value has been recorded as an unrealized gain from interest rate swap on the Statement of Activities. Additionally, at contract maturity in 2011, all assets or liabilities related to the swap convert to zero.

K. RELATED PARTY TRANSACTIONS

The Foundation has purchased publications from a publishing company owned, in part, by a member of the Board of Directors. Additionally, the Foundation's Vice President is a principal in a firm which provides consulting services to the Foundation. Board members are prohibited from participating in decisions for which they have an interest. The amount owed to related parties as of December 31, 2007 and 2006 totaled approximately \$8,000 and \$15,000, respectively. Amounts purchased or incurred with these related parties totaled approximately \$65,000 and \$49,000 during 2007 and 2006, respectively. During 2007 and 2006, Board members contributed approximately \$164,000 and \$105,000, respectively, to the Foundation.

L. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and investments. The Foundation maintains its cash accounts, in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC insures cash balances up to \$100,000 at each institution and certain investment accounts are insured up to \$500,000 under the Securities Investment Protection Corporation. At December 31, 2007 and 2006, the Foundation had uninsured cash balances totaling approximately \$1,600,000 and \$3,800,000, respectively and uninsured investment balances totaling approximately, \$7,500,000 and \$5,000,000, respectively.

Young America's Foundation

Notes to Financial Statements
December 31, 2007 and 2006

L. CONCENTRATION OF CREDIT RISK (continued)

For the year ended December 31, 2007, one individual donor contributed 12% of total support and revenue. One donor had a pledge balance outstanding at December 31, 2007, which represented 59% of total pledges receivable.

M. ANNUITIES PAYABLE

The Foundation has established a gift annuity plan where donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes and for financial statement purposes.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as temporarily restricted contributions revenue at the date of the gift, since the gift portion is restricted until the obligations under the annuity have been met. Income earned on annuity investments and distributions paid are credited and charged, respectively, against temporarily restricted revenue. For the years ended December 31, 2007 and 2006, contributions related to gift annuities were \$360,736 and \$76,898, respectively.

The annuity liability is revalued annually based upon actuarially computed present values.

N. CHANGE IN VALUE OF ANNUITIES

Change in value of annuities consists of:

	<u>2007</u>	<u>2006</u>
Investment income	\$ 98,977	\$ 59,505
Realized and unrealized gains (losses)	93,536	50,817
Actuarial adjustment	81,784	(10,459)
Payments to beneficiaries and fees	<u>(179,299)</u>	<u>(101,353)</u>
	\$ <u>94,998</u>	\$ <u>(1,490)</u>

O. PENSION PLAN

The Foundation offers a tax-sheltered Section 403(b) annuity plan to its employees. All full time employees are eligible for participation six months after employment begins, however, no contributions are made by the Foundation to the plan.

Young America's Foundation

Notes to Financial Statements

December 31, 2007 and 2006

P. ALLOCATION OF JOINT COSTS

During 2007 and 2006, the Foundation incurred joint costs of \$3,588,055 and \$4,425,751, respectively, for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to SOP 98-2 (see Note B) these costs were allocated to the functional areas as follows for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Program Services	\$ 3,112,761	\$ 3,364,451
Fundraising	473,051	1,059,978
Management and general	<u>2,243</u>	<u>1,322</u>
	<u>\$ 3,588,055</u>	<u>\$ 4,425,751</u>