

YOUNG AMERICA'S FOUNDATION
AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
YEARS ENDED DECEMBER 31, 2009 AND 2008



Young America's Foundation

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Independent Auditor's Report

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, 2009 and 2008, and the related Statements of Activities and Changes in Net Assets 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 audit 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, 2009 and 2008, 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.

Aronson & Company

Rockville, Maryland
July 27, 2010

Young America's Foundation

Statements of Financial Position

<i>December 31,</i>	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 1,531,774	\$ 1,050,220
Investments	1,917,825	2,678,454
Accounts receivable, net	28,525	90,225
Bequests receivable	61,000	25,000
Promises to give	2,310,985	2,257,980
Total current assets	5,850,109	6,101,879
Cash held for long term purposes	52,104	324,003
Investments, net of current portion	7,569,493	4,200,290
Property, buildings and equipment, net	21,742,368	20,970,835
Construction in progress	119,000	1,369,975
Promises to give, net	4,963,729	6,577,916
Collections	985,758	976,428
Other assets	606,388	694,206
Total assets	\$ 41,888,949	\$ 41,215,532
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 927,177	\$ 1,925,009
Annuities payable	168,814	176,064
Notes payable	3,699,216	4,235,695
Total current liabilities	4,795,207	6,336,768
Long-term liabilities		
Notes payable, net of current portion	10,748	14,124
Annuities payable, net of current portion	739,283	766,789
Derivative liability	172,339	289,087
Total liabilities	5,717,577	7,406,768
Net assets		
Unrestricted	21,542,064	19,898,970
Temporarily restricted	1,555,717	1,406,672
Permanently restricted	13,073,591	12,503,122
Total net assets	36,171,372	33,808,764
Total liabilities and net assets	\$ 41,888,949	\$ 41,215,532

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Young America's Foundation

Statements of Activities and Changes in Net Assets

<i>For the Years Ended December 31,</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total
Support and revenue								
Contributions	\$ 10,121,302	\$ 231,603	\$ 520,469	\$ 10,873,374	\$ 10,504,592	\$ 43,370	\$ 9,333,122	\$ 19,881,084
Bequests	1,620,462	-	50,000	1,670,462	515,263	-	-	515,263
Conference income	44,680	-	-	44,680	50,288	-	-	50,288
Speaker income	500,194	-	-	500,194	691,028	-	-	691,028
List rental income	131,650	-	-	131,650	147,578	-	-	147,578
Publication sales	19,402	-	-	19,402	11,554	-	-	11,554
Gain (loss) on interest rate swap	116,748	-	-	116,748	(154,793)	-	-	(154,793)
Change in value of annuities	-	56,118	-	56,118	-	(228,206)	-	(228,206)
Rental income	38,225	-	-	38,225	38,225	-	-	38,225
Investment gain (loss)	1,892,979	27,333	-	1,920,312	(2,085,461)	-	-	(2,085,461)
Other income	243,849	-	-	243,849	30,123	-	-	30,123
Net assets released from restrictions	166,009	(166,009)	-	-	3,910,429	(3,910,429)	-	-
Total support and revenue	14,895,500	149,045	570,469	15,615,014	13,658,826	(4,095,265)	9,333,122	18,896,683
Expenses								
Program services:								
Public information	4,735,092	-	-	4,735,092	4,945,842	-	-	4,945,842
Special projects	6,076,825	-	-	6,076,825	8,220,897	-	-	8,220,897
Total program services	10,811,917	-	-	10,811,917	13,166,739	-	-	13,166,739
Supporting services:								
Fundraising	1,601,690	-	-	1,601,690	1,746,831	-	-	1,746,831
Management and general	838,799	-	-	838,799	809,045	-	-	809,045
Total supporting services	2,440,489	-	-	2,440,489	2,555,876	-	-	2,555,876
Total expenses	13,252,406	-	-	13,252,406	15,722,615	-	-	15,722,615
Change in net assets	1,643,094	149,045	570,469	2,362,608	(2,063,789)	(4,095,265)	9,333,122	3,174,068
Net assets, beginning of year	19,898,970	1,406,672	12,503,122	33,808,764	21,962,759	5,501,937	3,170,000	30,634,696
Net assets, end of year	\$ 21,542,064	\$ 1,555,717	\$ 13,073,591	\$ 36,171,372	\$ 19,898,970	\$ 1,406,672	\$ 12,503,122	\$ 33,808,764

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Young America's Foundation

Statements of Cash Flows

<i>For the Years Ended December 31,</i>	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 2,362,608	\$ 3,174,068
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	740,551	679,265
Bad debt expense	12,877	-
Contributed investments	(78,957)	(640,557)
Unrealized (gain) loss on interest rate swap	(116,748)	154,793
Contributed collections	(9,330)	-
Actuarial change in annuity liability	72,023	47,001
Realized and unrealized (gain) loss on investments related to annuities	(86,438)	242,380
Realized and unrealized (gain) loss on investments	(1,587,961)	2,480,239
Change in present value discount on promises to give	(466,313)	-
Receipt of permanently restricted contributions	(2,078,500)	(1,067,885)
(Increase) decrease in:		
Accounts receivable	48,823	(19,125)
Bequests receivable	(36,000)	1,221,000
Promises to give	2,027,495	(7,118,249)
Other assets	87,818	(41,394)
Increase (decrease) in:		
Accounts payable and accrued expenses	(997,832)	470,957
Net cash used in operating activities	(105,884)	(417,507)
Cash flows from investing activities		
Change in cash held for long term purposes	271,899	266,322
Sale of investments	2,658,258	1,995,201
Purchase of investments	(3,513,476)	(2,718,275)
Purchase of property, buildings and equipment	(148,752)	(277,097)
Payments on construction in progress	(112,357)	(1,237,205)
Net cash used in investing activities	(844,428)	(1,971,054)
Cash flows from financing activities		
Proceeds from new borrowings	-	18,400
Repayments of notes payable	(539,855)	(662,765)
Annuities issued	64,558	66,630
Repayments on annuities	(171,337)	(193,328)
Receipt of permanently restricted contributions	2,078,500	1,067,885
Net cash provided by financing activities	1,431,866	296,822
Net change in cash and cash equivalents	481,554	(2,091,739)
Cash and cash equivalents, beginning of year	1,050,220	3,141,959
Cash and cash equivalents, end of year	\$ 1,531,774	\$ 1,050,220
Supplemental disclosures		
Interest paid	\$ 360,226	\$ 336,527

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies

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 youth leadership through a series of programs designed to assist young people 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 National Conservative Student Conference (college 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.

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 Reagan Ranch, Western White House, 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.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Cash and cash equivalents: For financial statement purposes, the Foundation considers all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash equivalents. At times, the Foundation's cash may exceed federally insured limits. The Foundation does not believe that this results in any significant credit risk. Cash held for long term purposes includes cash received with donor-imposed restrictions that limit their use to long-term purposes within temporarily or permanently restricted net assets.

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

Accounts receivable: Accounts receivable are amounts due from colleges and universities for speaker reimbursements. 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 for the allowance for doubtful accounts on historical losses and current economic conditions. Accounts receivable are determined to be past due on a contractual term of 30 days. As of December 31, 2009 and 2008, the allowance for doubtful accounts was \$6,257 and \$25,000, 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.

Promises to give: Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts for promises to give made prior to January 1, 2009, are computed using risk-free interest rates applicable to the years in which the amounts are pledged. The discounts on those amounts for promises to give made after January 1, 2009, are computed using a discount rate equal to the prevailing local borrowing rate. Amortization of the discount is included in contribution revenue. 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 (See Note 4).

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Property, buildings and equipment: Property, buildings and equipment are stated at cost and are 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, building 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 the 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.

Construction in progress: Additions to the property are classified as construction in progress at cost while not completed or put in service, and amounts are not depreciated until put in service.

Collections: Collections have been recorded as assets at cost, if purchased or at estimated fair value as of the date of contribution, if contributed. Depreciation is not recorded on collections.

Beneficial interest in remainder trusts: The Foundation is named as the beneficiary in remainder trusts held by third parties. The trusts, which are invested in cash equivalents, equity and fixed income funds, and other assets are measured at the present value of the future distributions expected to be received over the term of the agreement. The trusts are included in other assets in the Statements of Financial Position.

Derivative financial instruments: The Foundation uses an interest rate swap agreement to reduce the impact of interest rate changes on its debt. The interest rate swap agreement involves the exchange of variable for fixed rate interest payments without the exchange of the underlying notional amount. The fair value of the interest rate swap is the estimated settlement amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the credit worthiness of the swap counter parties. This agreement is recognized as either an asset or liability at the fair value in the Statements of Financial Position with the changes in fair value reported in the current period earnings (See Note 8).

Annuities payable: The liability for annuities is based on actuarially determined present values considering the income beneficiaries and applicable discount rates based on federal tables. Actuarial adjustments are recognized in the Statements of Activities and Changes in Net Assets for the changes in the value (See Note 9).

Young America's Foundation

Notes to Financial Statements

1. **Organization and significant accounting policies**
(continued)

Revenue recognition:

Contributions – Promises to give are recorded as contributions when received. 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 the time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Temporarily restricted contributions received in the current year whose restrictions are met during the current year are classified as unrestricted support.

Bequests – Income from bequests is recognized when notification is received from the estate of an unconditional bequest that is measurable.

Conference income – Conference income is recognized on the date that the conference takes place.

Speaker income – Speaker income is recognized on the date the speech takes place.

List rental income – List rental income is recognized when a contract with a mailing house is fulfilled.

Publication sales – Publication sales income is recognized at the point of the sale of the materials.

Functional allocation of expenses: The Foundation's expenses have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the areas benefited.

Costs of joint activities: The Foundation accounts for costs of joint activities which are part fundraising and have elements of one or more other functions, such as program or management and general according to certain criteria of purpose, audience and content in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Advertising: Advertising costs are expensed as incurred. For the years ended December 31, 2009 and 2008, advertising costs totaled \$53,761 and \$137,575, respectively.

Tax status: The Internal Revenue Service has recognized Young America's Foundation as a Section 501(c)(3) not-for-profit corporation exempt from federal income taxes as provided under in the Internal Revenue Code and applicable regulations of the Commonwealth of Virginia, and is classified as a public charity.

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Uncertainty in income taxes: The Foundation evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard, effective January 1, 2009. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. Prior to January 1, 2009, the Foundation evaluated uncertain tax positions such that the effects of tax positions were generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities. There was no impact on the financial statements caused by the adoption of the revised standard for uncertain tax positions. As of December 31, 2009, there are no accruals for uncertain tax positions. If applicable, the Foundation records interest and penalty as a component of income tax expense. Tax years from 2006 through the current year remain open for examination by tax authorities.

Use of accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through July 27, 2010, which is the date the financial statements are available to be issued.

2. Investments

The Foundation considers investment return on restricted funds to be unrestricted support if restrictions are met during the fiscal year. The Foundation received donations with respect to charitable gift annuities from various donors (See Note 9). The funds are restricted until the obligations under the annuities have been met.

Investments consisted of the following as of December 31:

	<u>2009</u>	<u>2008</u>
Certificate of deposit	\$ -	\$ 250,000
Corporate bond funds	-	97,273
Domestic equity mutual fund	2,388,486	1,880,384
Equities	2,105,676	602,787
Fixed income mutual fund	294,928	427,071
Government securities	3,474,043	2,543,407
International equity mutual fund	1,039,760	922,820
International real estate mutual fund	184,425	155,002
Total investments	\$ 9,487,318	\$ 6,878,744

Young America's Foundation

Notes to Financial Statements

**2. Investments
(continued)**

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

	2009	2008
Investment return:		
Interest and dividends	\$ 374,054	\$ 455,953
Realized and unrealized gains (losses)	1,674,399	(2,722,619)
Gross investment return (loss)	2,048,453	(2,266,666)
Less: Investment return included in change in value of annuities	(128,141)	181,205
	\$ 1,920,312	\$ (2,085,461)

3. Fair value

The Foundation values certain assets and liabilities at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value of investments and the derivative liability is as follows:

		Fair Value Measurements at Reporting Data Using		
		Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009	Total			
Beneficial interest in remainder trusts	\$ 237,046	\$ -	\$ -	\$ 237,046
Derivative liability	\$ (172,339)	\$ -	\$ -	\$ (172,339)

Young America's Foundation

Notes to Financial Statements

3. Fair value (continued)

December 31, 2009	Total	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Domestic equity mutual funds	\$ 2,388,486	\$ 2,388,486	\$ -	\$ -
Equities	2,105,676	2,105,676	-	-
Fixed income securities	294,928	294,928	-	-
Government securities	3,474,043	2,654,891	819,152	-
International equity mutual funds	1,039,760	1,039,760	-	-
International real estate mutual funds	184,425	184,425	-	-
Total investments	\$ 9,487,318	\$ 8,668,166	\$ 819,152	\$ -
December 31, 2008	Total	(Level 1)	(Level 2)	(Level 3)
Beneficial interest in remainder trusts	\$ 185,885	\$ -	\$ -	\$ 185,885
Derivative liability	\$ (289,087)	\$ -	\$ -	\$ (289,087)
Investments:				
Certificate of deposit	\$ 250,000	\$ -	\$ 250,000	\$ -
Corporate bonds	97,273	-	97,273	-
Domestic equity mutual funds	1,880,384	1,880,384	-	-
Equities	602,787	602,787	-	-
Fixed income securities	427,071	427,071	-	-
Government securities	2,543,407	1,670,124	873,283	-
International equity mutual funds	922,820	922,820	-	-
International real estate mutual funds	155,002	155,002	-	-
Total investments	\$ 6,878,744	\$ 5,658,188	\$ 1,220,556	\$ -

Young America's Foundation

Notes to Financial Statements

3. Fair value (continued)

Fair value for the Level 3 derivative liability is based on an estimated settlement amount, taking into consideration future interest rates. Level 2 government securities, corporate bonds and certificate of deposit values were developed utilizing prices from identical or similar assets in markets without active trading volumes.

Level 3 beneficial interest in remainder trusts, which are invested in cash equivalents, equity and fixed income funds, and other assets are measured at the present value of the future distributions expected to be received over the term of the agreement.

The Foundation measured the fair value of certain assets and liabilities using significant unobservable inputs for the year ended December 31, 2009 and 2008, as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Beneficial interest in remainder trusts	2009	2008
Beginning balance	\$ 185,885	\$ 286,229
Unrealized gain (loss) on trusts	51,161	(100,344)
Ending balance	\$ 237,046	\$ 185,885
Derivative liability	2009	2008
Beginning balance	\$ (289,087)	\$ (134,294)
Unrealized gain (loss) on derivative liability	116,748	(154,793)
Ending balance	\$ (172,339)	\$ (289,087)

4. Promises to give

At December 31 promises to give are comprised of the following:

	2009	2008
Total promises to give	\$ 7,550,037	\$ 9,577,532
Less: discount	(275,323)	(741,636)
Promises to give, net	7,274,714	8,835,896
Less: promises to give due in one year or less	(2,310,985)	(2,257,980)
Long-term promises to give	\$ 4,963,729	\$ 6,577,916

Young America's Foundation

Notes to Financial Statements

5. Property, buildings and equipment

Property, buildings and equipment is as follows at December 31:

	<u>2009</u>	<u>2008</u>
Land	\$ 5,891,268	\$ 5,891,268
Building and improvements	17,766,837	16,403,504
Furniture and equipment	1,709,763	1,562,956
Total property, building and equipment	<u>25,367,868</u>	<u>23,857,728</u>
Less: Accumulated depreciation	<u>(3,625,500)</u>	<u>(2,886,893)</u>
Property, building and equipment, net	\$ 21,742,368	\$ 20,970,835

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 include the cost of the Reagan Ranch.

Depreciation expense totaled \$740,551 and \$679,265 for the years ended December 31, 2009 and 2008.

The Foundation has some property held for sale. This property has a cost basis of \$320,000 and is included in other assets in the Statements of Financial Position.

6. Construction in progress

The Foundation is constructing some permanent exhibits at the Reagan Ranch Center in California, and is charging the costs to construction in progress until such time as they are placed in service.

7. 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.

Young America's Foundation

Notes to Financial Statements

8. Derivative instrument

In July 2005, the Foundation entered into a debt related interest rate swap agreement with a financial institution. The interest rate swap was used as a cash flow hedge to synthetically fix the rate on the note payable (See Note 10) and to eliminate changes in the market interest rates. The fair market value of the swap at December 31, 2009 and 2008, was a liability of \$172,339 and \$289,087, respectively. The change in the value has been recorded as an unrealized gain (loss) from interest rate swap on the Statements of Activities and Changes in Net Assets. Additionally, at contract maturity in 2011, any asset or liability related to the swap will effectively equal zero. This liability was paid off using funds from a new loan, resulting in a gain of \$23,396 (subsequent event) (see Note 10).

9. 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 contribution 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, 2009 and 2008, contributions related to gift annuities were \$55,442 and \$43,370, respectively. The annuity liability is revalued annually based upon actuarially computed present values.

The change in the value of annuities consists of the following at December 31:

	2009	2008
Investment income	\$ 41,703	\$ 61,175
Realized and unrealized gains (losses)	86,438	(242,380)
Actuarial adjustment	(72,023)	(47,001)
Change in value of annuities	\$ 56,118	\$ (228,206)

Young America's Foundation

Notes to Financial Statements

10. Notes payable, breach of debt covenant and subsequent event

The Foundation had a note payable with a financial institution in the amount of \$3,696,104 and \$4,220,104 at December 31, 2009 and 2008, respectively, with an interest rate of 4.75% and 2.75%, respectively. The note payable was unsecured. The note called 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 had a maturity date of January 31, 2012. The Foundation was subject to a minimum debt service coverage ratio under this note, which was breached for the years ended December 31, 2009 and 2008. In accordance with the remedies provided by the note agreement, the interest rate on the outstanding amount was increased by 2% effective on March 31, 2009.

On April 27, 2010, the Foundation obtained a refinancing loan with another financial institution whereby the loan balance, swap liability and closing costs were refinanced into a first lien deed of trust for a maximum amount of \$3,800,000, which approximates the total amount to be refinanced. The loan includes terms for a 15 year loan at a rate of 5.85% fixed for the first five years adjusting at five and ten years to the 30 day LIBOR five year equivalent fixed rate with a spread of 250 basis points and a floor rate of 5.85%. The terms include a security interest in a four-story commercial real estate property owned by the Foundation in Santa Barbara, California (the Property) and in the headquarters located in Herndon, Virginia and assignment of rents and leases on the property. The Foundation is subject to a minimum debt service coverage ratio of 1.00 to 1.00 and must maintain deposits with the institution at all times of \$382,000.

Additionally, the Foundation purchased two vehicles during 2005 for use at the Reagan Ranch in Santa Barbara, California. The vehicles were financed with four year notes payable through the selling dealership. At December 31, 2009 and 2008, the one note had a balance of zero and \$3,896, respectively, on which the Foundation paid 9.9% interest. The other note had a balance of zero and \$8,980, respectively, on which the Foundation paid 8.25% interest.

The Foundation purchased a copier during 2008 with a note payable for five years at 13.67% interest. At December 31, 2009 and 2008, the balance of the note was \$13,860 and \$16,840, respectively.

Future maturities of the notes payable at December 31, 2009, are as follows:

2010	\$	3,699,216
2011		3,867
2012		4,430
2013		2,451
<hr/>		
Total	\$	3,709,964

Young America's Foundation

Notes to Financial Statements

11. Temporarily restricted net assets Temporarily restricted net assets are available for the following purposes at December 31:

	2009	2008
Program assistance:		
Wood lecture series	\$ 52,528	\$ 52,528
Un-appropriated endowment earnings	27,333	-
Time restricted for periods after December 31:		
Beneficial interests in charitable trusts	237,046	185,885
Bequests receivable	11,000	25,000
Gift annuities	794,687	706,985
Promises to give	433,123	436,274
Temporarily restricted net assets	\$ 1,555,717	\$ 1,406,672

12. Permanently restricted net assets Permanently restricted net assets consist of donations made with the restriction that the principal be maintained into perpetuity. Permanently restricted net assets consisted of the following at December 31:

	2009	2008
High school conference	\$ 1,000,000	\$ 1,000,000
Internships	250,000	200,000
Promises to give – Reagan Ranch	6,754,078	8,305,622
Promises to give – training seminar	87,513	94,000
Reagan Ranch endowment	4,303,000	2,247,500
Scholarships	153,000	130,000
Training seminar	26,000	26,000
Yale lecture series	500,000	500,000
Permanently restricted net assets	\$ 13,073,591	\$ 12,503,122

13. 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 donor, are as follows for the years ended December 31:

	2009	2008
Reagan Ranch	\$ -	\$ 1,183,480
Time restricted	166,009	2,726,949
Net assets released from restrictions	\$ 166,009	\$ 3,910,429

Young America's Foundation

Notes to Financial Statements

14. Pension plan The Foundation offers a tax-sheltered 403(b) annuity plan to its employees. All full time employees are eligible for participation six months after employment begins. No contributions were made by the Foundation to the plan in either 2009 or 2008.

15. Allocation of joint costs During 2009 and 2008, the Foundation incurred joint costs of \$4,085,111 and \$4,789,232, respectively, for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to joint cost rules (See Note 1), these costs were allocated to the functional areas as follows for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Program services	\$ 3,382,249	\$ 3,969,003
Fundraising	702,862	820,230
	<u>\$ 4,085,111</u>	<u>\$ 4,789,233</u>

16. 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, 2009 and 2008, totaled approximately zero and \$13,000, respectively. Amounts purchased or incurred with these related parties totaled approximately \$87,000 and \$183,000, respectively, for the years ended December 31, 2009 and 2008. During the years ended December 31, 2009 and 2008, Board members contributed approximately \$69,000 and \$80,000, respectively, to the Foundation.

17. Concentration of revenue and promises to give For the year ended December 31, 2009, no individual donor contributed more than 10% of total support and revenue. One donor had a pledge balance outstanding at December 31, 2009, which represented 93% of total promises to give.

For the year ended December 31, 2008, one individual donor contributed 50% of total support and revenue. This donor had a pledge balance outstanding at December 31, 2008, which represented 94% of total promises to give.

18. Endowment funds The Foundation's endowment consists of permanently restricted contributions established for a variety of purposes (See Note 12). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Young America's Foundation

Notes to Financial Statements

18. Endowment funds (continued)

Interpretation of the Relevant Law

Management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the 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 donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Net Assets Composition by Type of Fund as of December 31:

	2009	2008
	Permanently Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ 6,185,735	\$ 4,107,235

The endowment excludes promises to give which are included in permanently restricted net assets on the Statements of Financial Position.

Young America's Foundation

Notes to Financial Statements

**18. Endowment funds
(continued)**

Changes in Endowment Net Assets For the Year Ended December 31, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (1,056,713)	\$ -	\$ 4,107,235	\$ 3,050,522
Investment return:				
Investment income	-	204,256	-	204,256
Net appreciation (realized and unrealized)	1,056,713	125,013	-	1,181,726
Total investment return	1,056,713	329,269	-	1,385,982
Cash contributions received	-	-	2,078,500	2,078,500
Appropriations of endowment assets for expenditure	-	(301,936)	-	(301,936)
Endowment net assets, end of year	\$ -	\$ 27,333	\$ 6,185,735	\$ 6,213,068

Changes in Endowment Net Assets For the Year Ended December 31, 2008:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 3,039,350	\$ 3,039,350
Cash contributions received	-	1,067,885	1,067,885
Unrealized loss	(1,056,713)	-	(1,056,713)
Endowment net assets, end of year	\$ (1,056,713)	\$ 4,107,235	\$ 3,050,522

Young America's Foundation

Notes to Financial Statements

18. Endowment funds (continued)

Description of Amounts Classified as Permanently Restricted Net Assets (Endowment Only)

	2009	2008
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 6,182,000	\$ 4,103,500

The endowment excludes promises to give which are included in permanently restricted net assets on the Statements of Financial Position.

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. The 2008 loss related to the permanently restricted funds is summarized above.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under the investment policy, the endowment assets are invested primarily in level one investments to assume a low level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year the income earned on the endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to remain consistent. This is consistent with the Foundation's objective to preserve the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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Independent Auditor's Report on Other Financial Information

Board of Directors
Young America's Foundation
Herndon, Virginia

Our audits of the financial statements of **Young America's Foundation** for the years ended December 31, 2009 and 2008, were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aronson & Company

Rockville, Maryland
July 27, 2010

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2009</i>	Program Services			Supporting Services			Total
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising	\$ 7,437	\$ 43,199	\$ 50,636	\$ 3,100	\$ 25	\$ 3,125	\$ 53,761
Bad debt	-	12,877	12,877	-	-	-	12,877
Bank charges	33,272	11,454	44,726	-	14,159	14,159	58,885
Conferences, banquets and meetings	9,332	610,229	619,561	-	3,963	3,963	623,524
Consulting and outsourcing	196,801	198,621	395,422	43,801	42,045	85,846	481,268
Depreciation	148,246	392,853	541,099	133,422	66,030	199,452	740,551
Equipment and maintenance	65,821	118,571	184,392	-	6,036	6,036	190,428
Honorarium	-	712,309	712,309	-	-	-	712,309
Insurance	7,667	139,570	147,237	2,712	31,120	33,832	181,069
Interest	2,946	356,679	359,625	-	601	601	360,226
List rental	205,999	-	205,999	53,248	-	53,248	259,247
Maintenance and preservation - Reagan Ranch	-	51,238	51,238	-	-	-	51,238
Other taxes and fees	409	255	664	-	661	661	1,325
Payroll taxes	41,679	110,450	152,129	37,511	18,756	56,267	208,396
Penalties	1,936	3,543	5,479	-	332	332	5,811
Personal property tax	4,378	888	5,266	-	-	-	5,266
Postage and shipping	1,514,534	50,135	1,564,669	311,285	2,523	313,808	1,878,477
Printing	507,351	202,342	709,693	133,736	927	134,663	844,356
Professional fees	953,664	36,863	990,527	148,104	101,790	249,894	1,240,421
Publications	33,329	128,807	162,136	-	4,079	4,079	166,215
Real estate tax	5,120	2,428	7,548	-	11,226	11,226	18,774
Rent and occupancy	23,140	245,119	268,259	1,611	43,997	45,608	313,867
Salaries and benefits	773,303	2,049,252	2,822,555	695,973	347,986	1,043,959	3,866,514
Scholarships	-	199,709	199,709	-	-	-	199,709
Supplies and miscellaneous	158,967	69,452	228,419	31,298	136,759	168,057	396,476
Telecommunications	7,321	37,039	44,360	5,302	2,651	7,953	52,313
Travel	32,440	292,943	325,383	587	3,133	3,720	329,103
Total expenses	\$ 4,735,092	\$ 6,076,825	\$ 10,811,917	\$ 1,601,690	\$ 838,799	\$ 2,440,489	\$ 13,252,406

See Independent Auditor's Report on Other Financial Information.

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2008</i>	Program Services			Supporting Services			
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	Total
Advertising	\$ 18,902	\$ 107,411	\$ 126,313	\$ 11,196	\$ 66	\$ 11,262	\$ 137,575
Bad debt	-	65,216	65,216	-	-	-	65,216
Bank charges	28,819	1,548	30,367	-	14,253	14,253	44,620
Conferences, banquets and meetings	9,085	759,988	769,073	-	7,729	7,729	776,802
Consulting and outsourcing	190,874	316,918	507,792	42,343	87,941	130,284	638,076
Depreciation	54,723	427,683	482,406	128,977	67,882	196,859	679,265
Equipment and maintenance	75,872	149,768	225,640	-	11,342	11,342	236,982
Honorarium	-	1,251,730	1,251,730	-	-	-	1,251,730
Insurance	8,590	123,897	132,487	5,419	4,486	9,905	142,392
Interest	2,300	334,227	336,527	-	-	-	336,527
List rental	292,504	-	292,504	67,832	-	67,832	360,336
Maintenance and preservation - Reagan Ranch	-	93,282	93,282	-	-	-	93,282
Other taxes and fees	87	-	87	-	1,301	1,301	1,388
Payroll taxes	16,537	130,227	146,764	39,275	20,671	59,946	206,710
Penalties	391	13,573	13,964	-	70	70	14,034
Personal property tax	2,533	50	2,583	-	4,657	4,657	7,240
Postage and shipping	1,572,473	111,170	1,683,643	341,937	810	342,747	2,026,390
Printing	538,392	312,225	850,617	167,577	2,317	169,894	1,020,511
Professional fees	1,497,432	177,050	1,674,482	198,791	108,790	307,581	1,982,063
Publications	91,190	272,566	363,756	-	4,284	4,284	368,040
Real estate tax	1,962	138,654	140,616	-	25,138	25,138	165,754
Rent and occupancy	25,468	286,218	311,686	1,659	32,927	34,586	346,272
Salaries and benefits	296,079	2,331,619	2,627,698	703,187	370,098	1,073,285	3,700,983
Scholarships	-	183,041	183,041	-	-	-	183,041
Supplies and miscellaneous	143,949	94,874	238,823	32,318	35,100	67,418	306,241
Telecommunications	6,263	44,629	50,892	6,320	5,325	11,645	62,537
Travel	71,417	493,333	564,750	-	3,858	3,858	568,608
Total expenses	\$ 4,945,842	\$ 8,220,897	\$ 13,166,739	\$ 1,746,831	\$ 809,045	\$ 2,555,876	\$ 15,722,615

See Independent Auditor's Report on Other Financial Information.