

YOUNG AMERICA'S FOUNDATION
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009



Young America's Foundation

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Independent Auditor's Report

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We have audited the accompanying Statements of Financial Position of **Young America's Foundation** (the Foundation) as of December 31, 2010 and 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Young America's Foundation's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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, 2010 and 2009, 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.

Rockville, Maryland
July 20, 2011

Young America's Foundation

Statements of Financial Position

<i>December 31,</i>	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 1,642,462	\$ 1,531,774
Investments	1,858,504	1,917,825
Accounts receivable, net	43,000	28,525
Bequests receivable	220,028	61,000
Promises to give	5,031,453	2,310,985
Total current assets	8,795,447	5,850,109
Cash held for long term purposes	100,000	52,104
Restricted cash	382,000	-
Investments, net of current portion	10,620,997	7,569,493
Property, buildings and equipment, net	22,017,579	22,568,696
Construction in progress	-	119,000
Promises to give, net	3,137,567	4,963,729
Collections	479,430	479,430
Other assets	323,222	286,388
Total assets	\$ 45,856,242	\$ 41,888,949
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,200,736	\$ 927,177
Annuities payable	166,289	168,814
Notes payable	174,806	3,699,216
Total current liabilities	1,541,831	4,795,207
Long-term liabilities		
Notes payable, net of current portion	3,545,056	10,748
Annuities payable, net of current portion	695,564	739,283
Derivative liability	-	172,339
Total liabilities	5,782,451	5,717,577
Net assets		
Unrestricted	21,381,434	21,542,064
Temporarily restricted	5,186,275	1,555,717
Permanently restricted	13,506,082	13,073,591
Total net assets	40,073,791	36,171,372
Total liabilities and net assets	\$ 45,856,242	\$ 41,888,949

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	2010 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Support and revenue								
Contributions	\$ 11,401,351	\$ 3,417,114	\$ 432,491	\$ 15,250,956	\$ 10,121,302	\$ 231,603	\$ 520,469	\$ 10,873,374
Bequests	1,302,380	-	-	1,302,380	1,620,462	-	50,000	1,670,462
Conference income	58,971	-	-	58,971	44,680	-	-	44,680
Speaker income	415,250	-	-	415,250	500,194	-	-	500,194
List rental income	249,643	-	-	249,643	131,650	-	-	131,650
Publication sales	26,406	-	-	26,406	19,402	-	-	19,402
Gain on interest rate swap	23,396	-	-	23,396	116,748	-	-	116,748
Change in value of annuities	-	(5,000)	-	(5,000)	-	56,118	-	56,118
Rental income	19,750	-	-	19,750	38,225	-	-	38,225
Investment income	576,934	733,519	-	1,310,453	1,892,979	27,333	-	1,920,312
Other income	64,654	-	-	64,654	243,849	-	-	243,849
Net assets released from restrictions	515,075	(515,075)	-	-	166,009	(166,009)	-	-
Total support and revenue	14,653,810	3,630,558	432,491	18,716,859	14,895,500	149,045	570,469	15,615,014
Expenses								
Program services:								
Public information	6,095,045	-	-	6,095,045	4,735,092	-	-	4,735,092
Special projects	6,227,307	-	-	6,227,307	6,076,825	-	-	6,076,825
Total program services	12,322,352	-	-	12,322,352	10,811,917	-	-	10,811,917
Supporting services:								
Fundraising	1,553,539	-	-	1,553,539	1,601,690	-	-	1,601,690
Management and general	938,549	-	-	938,549	838,799	-	-	838,799
Total supporting services	2,492,088	-	-	2,492,088	2,440,489	-	-	2,440,489
Total expenses	14,814,440	-	-	14,814,440	13,252,406	-	-	13,252,406
Change in net assets	(160,630)	3,630,558	432,491	3,902,419	1,643,094	149,045	570,469	2,362,608
Net assets, beginning 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
Net assets, end of year	\$ 21,381,434	\$ 5,186,275	\$ 13,506,082	\$ 40,073,791	\$ 21,542,064	\$ 1,555,717	\$ 13,073,591	\$ 36,171,372

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>	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 3,902,419	\$ 2,362,608
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	860,842	740,551
Bad debt expense	47,819	12,877
Contributed investments	(518,324)	(78,957)
Realized/unrealized gain on interest rate swap	(23,396)	(116,748)
Actuarial change in annuities payable	108,452	72,023
Realized and unrealized gain on investments related to annuities	(66,169)	(86,438)
Realized and unrealized gain on investments	(926,609)	(1,587,961)
Change in present value discount on promises to give	(88,890)	(466,313)
Receipt of permanently restricted contributions	(2,310,000)	(2,078,500)
(Increase) decrease in:		
Accounts receivable	(62,294)	48,823
Bequests receivable	(159,028)	(36,000)
Promises to give	(805,416)	2,027,495
Other assets	(36,834)	87,818
Increase (decrease) in:		
Accounts payable and accrued expenses	273,559	(997,832)
Net cash provided by (used in) operating activities	196,131	(96,554)
Cash flows from investing activities		
Change in cash held for long term purposes	(47,896)	271,899
Sales of investments	3,107,673	2,658,258
Purchases of investments	(4,588,754)	(3,513,476)
Purchases of property, buildings and equipment	(190,725)	(158,082)
Payments on construction in progress	-	(112,357)
Net cash used in investing activities	(1,719,702)	(853,758)
Cash flows from financing activities		
Proceeds from notes payable	3,800,000	-
Payments on notes payable	(3,790,102)	(539,855)
Payment of derivative liability	(148,943)	-
Proceeds from annuities issued	12,853	64,558
Payments of annuities	(167,549)	(171,337)
Restricted cash	(382,000)	-
Receipt of permanently restricted contributions	2,310,000	2,078,500
Net cash provided by financing activities	1,634,259	1,431,866
Net change in cash and cash equivalents	110,688	481,554
Cash and cash equivalents, beginning of year	1,531,774	1,050,220
Cash and cash equivalents, end of year	\$ 1,642,462	\$ 1,531,774
Supplemental disclosures		
Interest paid	\$ 240,223	\$ 360,226

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. Non-current investments include those received with donor-imposed restrictions that limit their use to long-term purposes as temporarily or permanently restricted investments.

Fair value measurement: The Foundation values certain assets 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.

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, 2010 and 2009, the allowance for doubtful accounts was \$6,770 and \$6,257, 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

1. Organization and significant accounting policies (continued)

Promises to give: Unconditional promises to give are recorded as contributions when received. Amounts 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 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 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.

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: The Foundation's collections are made up of historical treasures that are held for educational and curatorial purposes. 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.

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Derivative financial instruments: The Foundation used 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).

Revenue recognition:

Contributions – Contributions, which include unconditional promises to give, are reported at fair value at the date the contribution is 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.

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

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, 2010 and 2009, advertising costs totaled \$74,961 and \$53,761, 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.

Uncertainty in income taxes: The Foundation evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. 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. As of December 31, 2010 and 2009, there are no accruals for uncertain tax positions. If applicable, the Foundation records interest and penalties as a component of income tax expense. Tax years from 2007 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.

Reclassification: Certain 2009 information has been reclassified to conform to the 2010 presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through July 20, 2011, 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.

Young America's Foundation

Notes to Financial Statements

**2. Investments
(continued)**

Investments consisted of the following as of December 31:

	2010	2009
Domestic equity mutual funds	\$ 3,223,966	\$ 2,388,486
Equities	2,530,474	2,105,676
Fixed income mutual funds	3,961,760	2,949,819
Government securities	828,568	819,152
International equity mutual funds	1,699,740	1,039,760
International real estate mutual funds	234,993	184,425
Total investments	\$ 12,479,501	\$ 9,487,318

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

	2010	2009
Investment income:		
Interest and dividends	\$ 430,877	\$ 374,054
Realized and unrealized gains	992,778	1,674,399
Gross investment income	1,423,655	2,048,453
Less: Investment income included in change in value of annuities	(113,202)	(128,141)
Total investment income	\$ 1,310,453	\$ 1,920,312

3. Fair value

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

Fair Value Measurements at Reporting Data Using

December 31, 2010	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 256,614	\$ -	\$ -	\$ 256,614
Investments:				
Domestic equity mutual funds	\$ 3,223,966	\$ 3,223,966	\$ -	\$ -
Equities	2,530,474	2,530,474	-	-
Fixed income mutual funds	3,961,760	3,961,760	-	-
Government securities	828,568	-	828,568	-
International equity mutual funds	1,699,740	1,699,740	-	-
International real estate mutual funds	234,993	234,993	-	-
Total investments	\$ 12,479,501	\$ 11,650,933	\$ 828,568	\$ -

Young America's Foundation

Notes to Financial Statements

3. Fair value (continued)	December 31, 2009	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 237,046	\$ -	\$ -	\$ 237,046	\$ -
Derivative liability	\$ (172,339)	\$ -	\$ -	\$ (172,339)	\$ -
Investments:					
Domestic equity mutual funds	\$ 2,388,486	\$ 2,388,486	\$ -	\$ -	\$ -
Equities	2,105,676	2,105,676	-	-	-
Fixed income mutual funds	2,949,819	2,949,819	-	-	-
Government securities	819,152	-	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	\$ -	\$ -

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 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 years ended December 31, 2010 and 2009, as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Beneficial interest in remainder trusts	2010	2009
Beginning balance	\$ 237,046	\$ 185,885
Unrealized gain on trusts	19,568	51,161
Ending balance	\$ 256,614	\$ 237,046
Derivative liability		
Beginning balance	\$ (172,339)	\$ (289,087)
Payment of liability	148,943	-
Realized/unrealized gain on interest rate swap	23,396	116,748
Ending balance	\$ -	\$ (172,339)

Young America's Foundation

Notes to Financial Statements

4. Promises to give

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

	2010	2009
Promises to give expected in:		
One year	\$ 5,031,453	\$ 2,310,985
Two to five years	3,252,000	5,145,052
Six or more years	72,000	94,000
Total promises to give	8,355,453	7,550,037
Less: discount	(186,433)	(275,323)
Total promises to give, net	8,169,020	7,274,714
Less: current portion	(5,031,453)	(2,310,985)
Long-term promises to give	\$ 3,137,567	\$ 4,963,729

5. Property, buildings and equipment

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

	2010	2009
Land	\$ 6,211,268	\$ 6,211,268
Building and improvements	17,772,809	17,766,837
Furniture and equipment	2,468,495	2,216,091
Total property, building and equipment	26,452,572	26,194,196
Less: Accumulated depreciation	(4,434,993)	(3,625,500)
Property, building and equipment, net	\$ 22,017,579	\$ 22,568,696

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 \$860,842 and \$740,551 for the years ended December 31, 2010 and 2009.

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. These exhibits were completed and placed into service during 2010.

Young America's Foundation

Notes to Financial Statements

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 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 these collections.

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, was a liability of \$172,339, respectively. The change in the value has been recorded on the Statements of Activities and Changes in Net Assets. This liability was paid off in 2010 using funds from a new loan, resulting in a gain of \$23,396 (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, 2010 and 2009, contributions related to gift annuities were \$12,147 and \$55,442, 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:

	2010	2009
Investment income	\$ 47,033	\$ 41,703
Realized and unrealized gains	66,169	86,438
Investment fees	(9,750)	-
Actuarial adjustment	(108,452)	(72,023)
Change in value of annuities	\$ (5,000)	\$ 56,118

Young America's Foundation

Notes to Financial Statements

10. Notes payable and subsequent event

Outstanding notes payable are as follows at December 31:

	2010	2009
<p>Note payable with a financial institution with an interest rate of 4.75% at December 31, 2009 and a maturity date of January 31, 2012. The note 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 Foundation was subject to a minimum debt service coverage ratio under this note, which was breached for the year ended December 31, 2009. 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.</p>	\$ -	\$ 3,696,104

Refinanced the note payable with another financial institution on April 27, 2010, for \$3,800,000. The original loan balance, swap liability and closing costs were refinanced into a first lien deed of trust; collateralized by 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 loan bears interest 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%. Principal and interest are payable monthly based upon a 15 year amortization with a maturity of April 2025. Additionally, the loan contains covenants of 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. As of December 31, 2010, the Foundation has satisfied the covenants.

	3,709,114	-
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The Foundation purchased a copier during 2008 with a note payable for five years at 13.67% interest.

	10,748	13,860
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Total notes payable	3,719,862	3,709,964
Less: current portion	174,806	3,699,216

Non-current portion	\$ 3,545,056	\$ 10,748
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Young America's Foundation

Notes to Financial Statements

10. Notes payable and subsequent event (continued) Future maturities of the notes payable at December 31, 2010, are as follows:

	2011	\$	174,806
	2012		185,642
	2013		194,553
	2014		203,646
	2015		2,961,215
	Total	\$	3,719,862

In April 2011, the Foundation was able to make a \$1 million payment on the refinanced loan. This payment caused the financial institution to release the lien on the Foundation's headquarters.

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

	2010	2009
Program assistance:		
Wood lecture series	\$ 52,528	\$ 52,528
Un-appropriated endowment earnings	760,852	27,333
Time restricted for periods after December 31:		
Beneficial interests in charitable trusts	256,614	237,046
Bequests receivable	100,028	11,000
Gift annuities	767,316	794,687
Promises to give	3,248,937	433,123
Temporarily restricted net assets	\$ 5,186,275	\$ 1,555,717

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:

	2010	2009
High school conference	\$ 1,000,000	\$ 1,000,000
Internships	275,000	250,000
Promises to give – Reagan Ranch	5,040,082	6,754,078
Promises to give – training seminar	-	87,513
Reagan Ranch endowment	6,363,000	4,303,000
Scholarships	328,000	153,000
Training seminar	-	26,000
Yale lecture series	500,000	500,000
Permanently restricted net assets	\$ 13,506,082	\$ 13,073,591

Young America's Foundation

Notes to Financial Statements

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:

	2010	2009
Time restricted	\$ 515,075	\$ 166,009
Net assets released from restrictions	\$ 515,075	\$ 166,009

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 2010 or 2009.

15. Allocation of joint costs During 2010 and 2009, the Foundation incurred joint costs of \$5,169,488 and \$4,085,111, 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:

	2010	2009
Program services	\$ 4,556,352	\$ 3,382,249
Fundraising	613,136	702,862
Total	\$ 5,169,488	\$ 4,085,111

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, 2010 and 2009, totaled approximately \$15,000 and zero, respectively. Amounts purchased or incurred with these related parties totaled approximately \$97,000 and \$87,000, respectively, for the years ended December 31, 2010 and 2009. During the years ended December 31, 2010 and 2009, Board members contributed approximately \$87,000 and \$69,000, respectively, to the Foundation.

17. Concentration of revenue and promises to give For the year ended December 31, 2010, one donor contributed 13% of total support and revenue. Two donors had pledge balances outstanding at December 31, 2010, which represented 90% of total 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.

Young America's Foundation

Notes to Financial Statements

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.

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 Foundation 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:

	2010	2009
	Permanently Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ 8,466,000	\$ 6,185,735

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, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 27,333	\$ 6,185,735	\$ 6,213,068
Investment return:				
Investment income	-	283,162	-	283,162
Net appreciation (realized and unrealized)	-	753,314	-	753,314
Total investment return	-	1,036,476	-	1,036,476
Cash contributions received	-	-	2,280,265	2,280,265
Appropriations of endowment assets for expenditure	-	(302,957)	-	(302,957)
Endowment net assets, end of year	\$ -	\$ 760,852	\$ 8,466,000	\$ 9,226,852

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

Young America's Foundation

Notes to Financial Statements

18. Endowment funds (continued)

Description of amounts classified as permanently restricted net assets (endowment only)

	<u>2010</u>	<u>2009</u>
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	\$ 8,466,000	\$ 6,185,735

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.

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.



Independent Auditor's Report on Supplementary Information

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We have audited the financial statements of **Young America's Foundation** as of and for the years ended December 31, 2010 and 2009, and our report thereon dated July 20, 2011, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 21 and 22 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.

Rockville, Maryland
July 20, 2011

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2010</i>	Program Services			Supporting Services			
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	Total
Advertising	\$ -	\$ 74,961	\$ 74,961	\$ -	\$ -	\$ -	\$ 74,961
Bad debt	-	17,819	17,819	-	30,000	30,000	47,819
Bank charges	48	747	795	-	46,313	46,313	47,108
Conferences, banquets and meetings	12,358	647,682	660,040	-	6,371	6,371	666,411
Consulting and outsourcing	1,639,304	279,436	1,918,740	174,553	22,308	196,861	2,115,601
Depreciation	172,168	447,638	619,806	154,952	86,084	241,036	860,842
Equipment and maintenance	77,264	149,122	226,386	-	4,452	4,452	230,838
Honorarium	-	733,832	733,832	-	-	-	733,832
Insurance	6,315	110,888	117,203	-	16,811	16,811	134,014
Interest	3,655	236,287	239,942	-	281	281	240,223
List rental	273,325	-	273,325	44,746	-	44,746	318,071
Maintenance and preservation - Reagan Ranch	-	63,658	63,658	-	-	-	63,658
Other taxes and fees	573	1,242	1,815	-	595	595	2,410
Payroll taxes	43,732	113,704	157,436	39,359	21,866	61,225	218,661
Penalties	-	695	695	-	584	584	1,279
Personal property tax	4,696	735	5,431	-	21,221	21,221	26,652
Postage and shipping	1,917,135	43,950	1,961,085	266,198	802	267,000	2,228,085
Printing	747,425	124,452	871,877	114,576	1,573	116,149	988,026
Professional fees	97,437	103,984	201,421	8,400	156,913	165,313	366,734
Publications	109,206	144,503	253,709	-	6,205	6,205	259,914
Real estate tax	2,632	2,556	5,188	-	16,544	16,544	21,732
Rent and occupancy	20,065	238,249	258,314	-	51,908	51,908	310,222
Salaries and benefits	811,657	2,110,308	2,921,965	730,491	405,829	1,136,320	4,058,285
Scholarships	-	142,864	142,864	-	-	-	142,864
Supplies and miscellaneous	93,861	97,201	191,062	15,292	37,353	52,645	243,707
Telecommunications	7,558	41,994	49,552	4,972	2,800	7,772	57,324
Travel	54,631	298,800	353,431	-	1,736	1,736	355,167
Total expenses	\$ 6,095,045	\$ 6,227,307	\$ 12,322,352	\$ 1,553,539	\$ 938,549	\$ 2,492,088	\$ 14,814,440

See Independent Auditor's Report on Supplementary Information.

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2009</i>	Program Services			Supporting Services			
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	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	1,141,645	198,621	1,340,266	185,293	42,045	227,338	1,567,604
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	8,820	36,863	45,683	6,612	101,790	108,402	154,085
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 Supplementary Information.