

YOUNG AMERICA'S FOUNDATION
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2015 AND 2014



Young America's Foundation

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Independent Auditor's Report

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We have audited the accompanying financial statements of **Young America's Foundation** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2015 and 2014, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

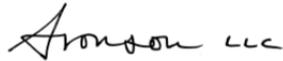
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
July 6, 2016

Young America's Foundation

Statements of Financial Position

<i>December 31,</i>	2015	2014
Assets		
Cash and cash equivalents	\$ 12,071,465	\$ 3,268,020
Investments	22,280,119	18,511,756
Accounts receivable, net	320,132	942,782
Bequests receivable, net	7,063,189	6,128,959
Promises to give, net	1,022,232	2,267,160
Cash held for long term purposes	100,001	99,999
Restricted cash	-	382,000
Certificate of deposit - restricted	56,002	55,778
Property held for sale - donated condo	-	900,000
Property, buildings and equipment, net	24,239,405	24,099,282
Collections	503,145	503,895
Other assets	1,288,757	1,442,919
Total assets	\$ 68,944,447	\$ 58,602,550
Liabilities and Net Assets		
Note payable	\$ -	\$ 1,093,254
Accounts payable and accrued expenses	863,936	1,636,909
Annuities payable	973,755	993,529
Deferred revenue	600	5,865
Deferred rent	1,423,330	1,564,718
Deferred compensation plans	216,652	-
Total liabilities	3,478,273	5,294,275
Net assets		
Unrestricted	39,037,817	26,863,794
Temporarily restricted	9,099,972	11,101,859
Permanently restricted	17,328,385	15,342,622
Total net assets	65,466,174	53,308,275
Total liabilities and net assets	\$ 68,944,447	\$ 58,602,550

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	2015 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Support and revenue								
Contributions	\$ 12,149,598	\$ 721,839	\$ 2,059,264	\$ 14,930,701	\$ 12,210,879	\$ 3,039,328	\$ 1,028,004	\$ 16,278,211
Bequests	17,733,725	2,009,230	-	19,742,955	3,438,802	-	-	3,438,802
In-kind donations	-	-	-	-	982,911	-	-	982,911
Conference income	192,873	-	-	192,873	196,417	-	-	196,417
Speaker income	267,145	-	-	267,145	277,895	-	-	277,895
List rental income	143,338	-	-	143,338	143,239	-	-	143,239
Publication sales	23,439	-	-	23,439	16,773	-	-	16,773
Change in value of split interest agreements	-	(112,720)	(73,501)	(186,221)	-	(30,450)	24,879	(5,571)
Rental income	45,686	-	-	45,686	46,271	-	-	46,271
Investment (loss) income	(775,457)	-	-	(775,457)	1,013,985	-	-	1,013,985
Other income	488	-	-	488	13,835	-	-	13,835
Loss on disposal of fixed assets	(48,496)	-	-	(48,496)	-	-	-	-
Loss on impairment	(320,000)	-	-	(320,000)	-	-	-	-
Loss on restricted promises to give	-	(376,407)	-	(376,407)	-	-	-	-
Net assets released from restrictions	4,243,829	(4,243,829)	-	-	1,337,756	(1,337,756)	-	-
Total support and revenue	33,656,168	(2,001,887)	1,985,763	33,640,044	19,678,763	1,671,122	1,052,883	22,402,768
Expenses								
Program services:								
Public information	5,810,922	-	-	5,810,922	6,887,899	-	-	6,887,899
Special projects	11,902,844	-	-	11,902,844	8,830,214	-	-	8,830,214
Total program services	17,713,766	-	-	17,713,766	15,718,113	-	-	15,718,113
Supporting services:								
Fundraising	1,970,777	-	-	1,970,777	1,928,832	-	-	1,928,832
Management and general	1,797,602	-	-	1,797,602	1,787,690	-	-	1,787,690
Total supporting services	3,768,379	-	-	3,768,379	3,716,522	-	-	3,716,522
Total expenses	21,482,145	-	-	21,482,145	19,434,635	-	-	19,434,635
Change in net assets	12,174,023	(2,001,887)	1,985,763	12,157,899	244,128	1,671,122	1,052,883	2,968,133
Net assets, beginning of year	26,863,794	11,101,859	15,342,622	53,308,275	26,619,666	9,430,737	14,289,739	50,340,142
Net assets, end of year	\$ 39,037,817	\$ 9,099,972	\$ 17,328,385	\$ 65,466,174	\$ 26,863,794	\$ 11,101,859	\$ 15,342,622	\$ 53,308,275

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>	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 12,157,899	\$ 2,968,133
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,338,021	938,798
Change in allowance for doubtful accounts	69,500	1,500
Loss on disposal of property, buildings and equipment	48,496	4,368
Loss on impairment	320,000	-
Contribution of real property	-	(900,000)
Contributions recognized from charitable gift annuities	-	(232,147)
Contribution of beneficial interest in trust	-	(866,484)
Change in value of split interest agreements	203,857	54,106
Realized and unrealized loss (gain) on investments related to annuities	66,109	(809)
Realized and unrealized loss (gain) on investments	1,631,916	(203,169)
Change in present value discount on promises to give	(4,387)	(10,972)
Receipt of contributions restricted for long-term purposes	-	-
Receipt of permanently restricted contributions	(2,078,234)	(157,466)
(Increase) decrease in:		
Accounts receivable, net	628,150	(506,663)
Bequests receivable, net	(976,682)	(1,093,906)
Promises to give, net	1,216,767	(639,199)
Other assets	56,506	227,367
Increase (decrease) in:		
Accounts payable and accrued expenses	(772,973)	595,504
Deferred revenue	(5,265)	5,865
Deferred rent	(141,388)	246,323
Deferred compensation plans	216,652	-
Net cash provided by operating activities	13,974,944	431,149
Cash flows from investing activities		
Change in cash held for long term purposes	381,998	-
Sales of investments	7,532,853	16,338,865
Purchases of investments	(12,999,241)	(15,426,610)
Purchases of certificate of deposit - restricted	(224)	-
Proceeds from the sale of property, buildings and equipment	854,080	-
Purchases of property, buildings and equipment	(1,800,720)	(1,723,191)
Sale (Purchase) of collections	750	(20,500)
Net cash used in investing activities	(6,030,504)	(831,436)
Cash flows from financing activities		
Payments on note payable	(1,093,254)	(231,901)
Proceeds from annuities issued	-	585,590
Payments of annuities	(125,975)	(126,029)
Receipt of permanently restricted contributions	2,078,234	157,466
Net cash provided by financing activities	859,005	385,126

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>	2015	2014
Net change in cash and cash equivalents	8,803,445	(15,161)
Cash and cash equivalents, beginning of year	3,268,020	3,283,181
Cash and cash equivalents, end of year	\$ 12,071,465	\$ 3,268,020
Supplemental disclosures		
Interest paid	\$ 23,584	\$ 70,953
Noncash investing and financing transactions:		
Contribution of real property	\$ -	\$ 900,000
Leasehold improvements - cost incurred and paid by landlord	\$ -	\$ 1,318,395

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 and headquartered in Reston, Virginia. 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, Young Americans for Freedom student chapters, 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:

Premier youth-oriented conferences introducing students to the ideas that make our country great: individual freedom, limited government, a strong national defense, free enterprise, and traditional values. These conferences are held in various locations around the country and are geared to college and high school students.

Campus initiatives include lectures, training materials, and a network of Young Americans for Freedom student chapters. The Foundation provides conservative students with the necessary information, tools, and resources to effectively advance conservative ideas on their college or high school campus.

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.

Young America's Foundation

Notes to Financial Statements

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. 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.

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

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

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.

Certificate of deposit: The certificate of deposit totaled \$56,002 and \$55,778 as of December 31, 2015 and 2014, respectively. The certificate bears interest at a rate of 0.2% and has a maturity of one year, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Investments: Investments are reported at fair value and contributions of marketable securities are recorded at their fair value at the date of the donation. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Statement of Activities and Changes in Net Assets. Dividends and interest are recognized as earned.

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

Young America's Foundation

Notes to Financial Statements

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at December 31, 2015 and 2014.

Accounts receivable: Accounts receivable are amounts due from colleges and universities for speaker reimbursements and amounts received postmarked by, but not deposited until after December 31. 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, 2015 and 2014, the allowance for doubtful accounts was \$0 and \$5,500, respectively.

Bequests 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. Bequests receivable are reviewed for collectability and a provision for uncollectible promises to give is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. As of December 31, 2015 and 2014, the allowance for uncollectible bequests was \$75,000 and \$0, respectively.

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 \$1,000 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.

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Notes to Financial Statements

Leasehold improvements: Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the asset.

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 discount rates used in the present value calculation are between 7% and 7.5%. The trusts are included in other assets on the Statements of Financial Position.

Beneficial interest in perpetual trust: The Foundation is named as the beneficiary in a perpetual trust held by a third party. Perpetual trusts are initially recorded as permanently restricted public support (bequest or contribution revenue, depending on the initial source of the gift) at fair value, based on the Foundation's interest in the fair value of the underlying trust assets at the time of the gift. Subsequent changes to the trust's fair value are reported as permanently restricted net unrealized gains or losses on perpetual trusts and are included in change in value of split interest agreements on the Statements of Activities and Changes in Net Assets. Income received from the trust is reported as temporarily restricted or unrestricted investment income, depending on the existence or absence of donor-imposed restrictions. The trust is included in other assets on the Statements of Financial Position.

Under the terms of the trust, the Foundation has an irrevocable right to receive a portion of the income earned on the trust assets in perpetuity. Distributions from the trust are based on the terms of the underlying trust agreement and generally require that investment income be distributed on at least an annual basis. The trust is invested in cash equivalents, municipal bonds, preferred securities, common stock, mutual funds, real estate trusts and funds and real property.

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 and are included in change in value of split interest agreements (See Note 8).

Young America's Foundation

Notes to Financial Statements

Deferred rent: The Foundation recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease. Differences between amounts recognized as expense and the amounts actually paid are recorded as deferred rent on the Statements of Financial Position.

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. 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.

In-kind contributions: In-kind contributions are recorded at their fair value at the earlier of when promised or received, provided there is an objective basis for such valuation.

Donated securities: The Foundation classifies cash receipts from the sale of donated securities that upon receipt were converted nearly immediately into cash and contained no donor-imposed restrictions as cash flows from operations on the Statement of Cash Flows, while cash receipts from the sale of donated securities with donor-imposed long-term restrictions are classified as financing activities. Otherwise, receipts from the sale of donated securities are classified as cash flows from investing activities.

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.

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Notes to Financial Statements

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, 2015 and 2014, advertising costs totaled \$382,286 and \$151,640, respectively.

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.

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 in the Internal Revenue Code. The Foundation 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, 2015 and 2014, 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 2012 through the current year remain open for examination by tax authorities.

Reclassifications: Certain reclassifications have been made to the 2014 financial statements to conform to 2015 financial statement presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through July 6, 2016, which was the date the financial statements were available to be issued.

Young America's Foundation

Notes to Financial Statements

- 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 8). The funds are restricted until the obligations under the annuities have been met.

Investments consisted of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Money market mutual funds	\$ 82,168	\$ -
Domestic equity mutual funds	9,274,809	5,017,989
Equities	3,791,665	2,619,197
Fixed income mutual funds	6,656,897	8,485,782
Government securities	326,076	330,386
Exchange traded funds	233,685	221,386
International equity mutual funds	1,914,819	1,837,016
Total investments	\$ 22,280,119	\$ 18,511,756

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

	<u>2015</u>	<u>2014</u>
Investment income:		
Interest and dividends	\$ 916,049	\$ 865,307
Realized and unrealized (loss) gains	(1,698,025)	203,978
Gross investment (loss) income	(781,976)	1,069,285
Less: Investment loss (income) included in change in value of annuities	6,519	(55,300)
Total investment (loss) income	\$ (775,457)	\$ 1,013,985

Young America's Foundation

Notes to Financial Statements

- 3. Fair value** Assets and liabilities were recorded at fair value on a recurring basis as of December 31, 2015 and 2014 based on the following level of hierarchy:

Fair Value Measurements at Reporting Data Using

December 31, 2015	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 279,317	\$ -	\$ -	\$ 279,317
Beneficial interest in perpetual trust	\$ 817,862	\$ -	\$ -	\$ 817,862
Charitable gift annuity liability	\$ (973,755)	\$ -	\$ -	\$ (973,755)

Investments:

Money market mutual funds	\$ 82,168	\$ 82,168	\$ -	\$ -
Domestic equity mutual funds	9,274,809	9,274,809	-	-
Equities	3,791,665	3,791,665	-	-
Fixed income mutual funds	6,656,897	6,656,897	-	-
Government securities	326,076	-	326,076	-
Exchange traded funds	233,685	233,685	-	-
International equity mutual funds	1,914,819	1,914,819	-	-
Total investments	\$ 22,280,119	\$ 21,954,043	\$ 326,076	\$ -

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Notes to Financial Statements

Fair Value Measurements at Reporting Data Using

December 31, 2014	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 303,472	\$ -	\$ -	\$ 303,472
Beneficial interest in perpetual trust	\$ 891,363	\$ -	\$ -	\$ 891,363
Charitable gift annuity liability	\$ (993,529)	\$ -	\$ -	\$ (993,529)
Investments:				
Domestic equity mutual funds	\$ 5,017,989	\$ 5,017,989	\$ -	\$ -
Equities	2,619,197	2,619,197	-	-
Fixed income mutual funds	8,485,782	8,485,782	-	-
Government securities	330,386	-	330,386	-
Exchange traded funds	221,386	221,386	-	-
International equity mutual funds	1,837,016	1,837,016	-	-
Total investments	\$ 18,511,756	\$ 18,181,370	\$ 330,386	\$ -

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2015 and 2014.

Level 3 beneficial interests 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, discounted at rates between 7% and 7.5%, which reflect current market conditions, adjusted for the life expectancy of the lead beneficiary using IRS actuarial tables.

The following is a reconciliation of the beginning to ending balance of the beneficial interests in remainder trusts measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

Beneficial interest in remainder trusts	2015	2014
Beginning balance	\$ 303,472	\$ 307,055
Unrealized loss on trusts	(24,155)	(3,583)
Ending balance	\$ 279,317	\$ 303,472

Young America's Foundation

Notes to Financial Statements

The valuation of the beneficial interest in the perpetual trusts falls under level 3, as there are no significant observable inputs. The trust valuation is based on the Foundation's interest in the fair value of the underlying trust assets.

The following is a reconciliation of the beginning to ending balance of the beneficial interest in perpetual trust measured at fair value using significant unobservable inputs (Level 3) during the periods ended December 31:

Beneficial interest in perpetual trust	2015	2014
Beginning balance	\$ 891,363	\$ -
Additions	-	866,484
Change in value	(73,501)	24,879
Ending balance	\$ 817,862	\$ 891,363

The unrealized (loss) gain on trusts is the change in value of the split-interest agreement and is recorded in revenue on the Statements of Activities and Changes in Net Assets.

The Level 3 charitable gift annuity liability is valued using the income approach, in the form of present value using interest rates ranging from 1% and 6.2%, and the 2000 Annuity life expectancy tables as of December 31, 2015 and 2014. The discount rate is determined based on the individual annuity agreement. The discount associated with the liability is adjusted for changes in life expectancies.

The following is a reconciliation of the beginning to ending balance of the charitable gift annuity liability measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31:

Charitable gift annuity liability	2015	2014
Beginning balance	\$ 993,529	\$ 690,713
Additions	-	353,443
Payments	(125,975)	(126,029)
Actuarial change in value	106,201	75,402
Ending balance	\$ 973,755	\$ 993,529

Young America's Foundation

Notes to Financial Statements

The following table summarizes the valuation techniques and significant unobservable inputs used for the Foundation's assets and liabilities categorized within Level 3 of fair value hierarchy at December 31, 2015 and 2014.

	Fair value at December 31, 2015	Valuation techniques	Unobservable input	Range of significant input values
Assets and liabilities:				
Beneficial interest in remainder trusts	\$ 279,317	Income approach Present value of future cash flows	Discount rate Life expectancy	7% - 7.5% IRS Actuarial Table Publication 1458
Beneficial interest in perpetual trust	\$ 817,862	Income approach Discounted cash flow analysis of assets contributed to the trust	Beneficial interest based on assets contributed to the trust	N/A
Charitable gift annuity liability	\$ (973,755)	Income approach Present value of future cash flows	Discount rate Life expectancy	1% - 6.2% Annuity 2000 tables
	Fair value at December 31, 2014	Valuation techniques	Unobservable input	Range of significant input values
Assets and liabilities:				
Beneficial interest in remainder trusts	\$ 303,472	Income approach Present value of future cash flows	Discount rate Life expectancy	7% - 7.5% IRS Actuarial Table Publication 1458
Beneficial interest in perpetual trust	\$ 891,363	Income approach Discounted cash flow analysis of assets contributed to the trust	Beneficial interest based on assets contributed to the trust	N/A
Charitable gift annuity liability	\$ (993,529)	Income approach Present value of future cash flows	Discount rate Life expectancy	1% - 6.2% Annuity 2000 tables

Young America's Foundation

Notes to Financial Statements

4. Promises to give

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

	2015	2014
Promises to give expected in:		
Less than one year	\$ 474,032	\$ 1,878,857
Two to five years	599,500	401,443
Over five years	-	10,000
Total promises to give	1,073,532	2,290,300
Less: discount	(51,300)	(23,140)
Total promises to give, net	\$ 1,022,232	\$ 2,267,160

Unconditional promises to give are discounted to their present value using rates between 2.72% and 5.85%.

As of December 31, 2015, one donor had a pledge balance outstanding which represented 36% of total promises to give. As of December 31, 2014, one donor had a pledge balance outstanding which represented 48% of total promises to give.

5. Bequests receivable

As of December 31 bequests receivable are comprised of the following:

	2015	2014
Bequests expected in:		
Less than one year	\$ 2,270,588	\$ 1,293,906
One to five years	5,000,000	5,000,000
Total bequests receivable	7,270,588	6,293,906
Less: discount and allowances	(207,399)	(164,947)
Total bequests receivable, net	\$ 7,063,189	\$ 6,128,959

Bequests receivable are discounted to their present value using a rate of 2.72%.

As of December 31, 2015, two donors had bequest receivable balances outstanding which represented 96% of total bequest receivables. As of December 31, 2014, two donors had a bequest receivable balance outstanding which represented 100% of total bequest receivables.

Young America's Foundation

Notes to Financial Statements

6. Property, buildings and equipment

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

	2015	2014
Land and improvements	\$ 7,993,066	\$ 8,313,066
Buildings and improvements	20,048,063	20,180,684
Construction in progress	1,745,654	-
Furniture and equipment	3,274,478	3,100,805
Vehicles	11,438	-
Total property, buildings and equipment	33,072,699	31,594,555
Less: Accumulated depreciation	(8,833,294)	(7,495,273)
Property, buildings and equipment, net	\$ 24,239,405	\$ 24,099,282

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 historic treasure. Property, buildings and equipment include the cost of the Reagan Ranch.

Depreciation expense totaled \$1,338,021 and \$938,798 for the years ended December 31, 2015 and 2014, respectively.

In 2015, the Foundation determined that the carrying value of property that was donated in a previous year exceeded its fair value and is not considered recoverable.

In 2015, the Foundation sold property that was donated in a previous year and recognized a loss of \$48,486 from the sale.

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. 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.

Young America's Foundation

Notes to Financial Statements

The Foundation invests the assets in a financial institution separately from its other investments and considers these investments to be temporarily restricted until the beneficiary's death. The Foundation maintains a separate brokerage account specifically for charitable gift annuities governed by the laws of California. The balance of this account as of December 31, 2015 and 2014, totaled \$347,644, and \$344,834, respectively. Total assets separately maintained as cash and investments relating to charitable gift annuities totaled \$1,572,877 and \$1,705,370, as of December 31, 2015 and 2014, respectively.

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, 2015 and 2014, contributions related to gift annuities were \$0 and \$232,147, respectively. The annuity liability is adjusted annually based upon actuarially computed present values.

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

	2015	2014
Investment income	\$ 66,897	\$ 54,491
Realized and unrealized (losses) gains	(66,109)	809
Investment fees	(7,307)	(10,348)
Actuarial adjustment	(106,201)	(75,402)
Change in value of annuities	\$ (112,720)	\$ (30,450)

Young America's Foundation

Notes to Financial Statements

9. Note payable Note payable is as follows at December 31:

	2015	2014
Refinanced note payable with a 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 assignment of rents and leases on the property, known as the Reagan Ranch Center. The carrying value of the Property as of December 31, 2015, is \$12,330,449. The loan bore 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 were payable monthly based upon a 15 year amortization with a maturity of April 2025. Additionally, the loan contained 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 (included as restricted cash on the accompanying Statements of Financial Position). As of December 31, 2014, the Foundation has satisfied the covenants. The loan was paid in full during the year ending December 31, 2015.	\$ -	\$ 1,093,254

10. Letter of credit

A letter of credit for \$55,778 has been issued on behalf of the Foundation by a bank in Virginia. The beneficiary is a business which requires it as part of a leasing agreement. The letter of credit expires December 19, 2016, with automatic extensions of one year until May 19, 2021. The letter of credit is secured by the certificate of deposit.

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:

	2015	2014
Program assistance:		
Wood lecture series	\$ 52,528	\$ 52,528
Un-appropriated endowment earnings	83,585	1,656,869
Time restricted for periods after December 31:		
Beneficial interests in charitable trusts	279,317	303,472
Bequests receivable	7,063,189	6,128,959
Gift annuities	599,121	711,841
Promises to give	1,022,232	2,248,190
Temporarily restricted net assets	\$ 9,099,972	\$ 11,101,859

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:

	2015	2014
High school conference	\$ 1,500,000	\$ 1,000,000
Internships	275,000	275,000
Promises to give – Reagan Ranch	-	18,970
Reagan Ranch endowment	11,683,762	11,660,528
Student education	598,761	568,761
Scholarships	1,953,000	428,000
Yale lecture series	500,000	500,000
Beneficial interest in perpetual trust	817,862	891,363
Permanently restricted net assets	\$ 17,328,385	\$ 15,342,622

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

	2015	2014
Appropriated endowment earnings net of endowment investment return	\$ 1,573,285	\$ 252,808
Time restricted	2,670,544	1,084,948
Temporarily restricted net assets releases	\$ 4,243,829	\$ 1,337,756

Young America's Foundation

Notes to Financial Statements

14. 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. Endowment net assets are composed entirely of donor-restricted funds.

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.

Young America's Foundation

Notes to Financial Statements

Changes in endowment net assets for the years ended December 31:

December 31, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,656,869	\$ 14,432,289	\$ 16,089,158
Investment return:				
Investment income	-	844,324	-	844,324
Net depreciation (realized and unrealized)	-	(1,617,673)	-	(1,617,673)
Total investment return	-	(773,351)	-	(773,351)
Cash contributions received	-	-	2,078,234	2,078,234
Appropriations of endowment assets for expenditure	-	(799,933)	-	(799,933)
Endowment net assets, end of year	\$ -	\$ 83,985	\$ 16,510,523	\$ 16,594,108
December 31, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,909,677	\$ 14,274,823	\$ 16,184,500
Investment return:				
Investment income	-	758,747	-	758,747
Net appreciation (realized and unrealized)	-	54,562	-	54,562
Total investment return	-	813,309	-	813,309
Cash contributions received	-	-	157,466	157,466
Appropriations of endowment assets for expenditure	-	(1,066,117)	-	(1,066,117)
Endowment net assets, end of year	\$ -	\$ 1,656,869	\$ 14,432,289	\$ 16,089,158

Young America's Foundation

Notes to Financial Statements

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

	<u>2015</u>	<u>2014</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	\$ 16,510,523	\$ 14,432,289
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time and purpose restriction under UPMIFA	\$ 83,585	\$ 1,656,869

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. As of December 31, 2015 and 2014, there was no aggregated deficiency from endowment funds.

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.

Young America's Foundation

Notes to Financial Statements

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.

15. Concentration of revenue For the year ending December 31, 2015, one donor contributed 45% of total support and revenue. For the year ending December 31, 2014, there was no concentration of total support and revenue.

16. Allocation of joint costs During 2015 and 2014, the Foundation incurred joint costs of \$5,679,610 and \$5,520,640, 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:

	2015	2014
Program services	\$ 4,323,882	\$ 4,638,177
Fundraising	1,355,728	882,463
Total	\$ 5,679,610	\$ 5,520,640

17. Future minimum lease payments The Foundation entered into a lease agreement in December 2013 for headquarters office space in Reston, Virginia. The lease contained a tenant allowance and rent abatement. The lease commenced in 2014 and has a term of 90.5 months.

Minimum future rental payments under the operating lease as of December 31, 2015, in the aggregate are as follows:

Year ending December 31,	Amount
2016	\$ 711,309
2017	732,648
2018	754,627
2019	777,266
2020	800,584
Thereafter	684,793
Total	\$ 4,461,227

Young America's Foundation

Notes to Financial Statements

Rent expense for the years ended December 31, 2015 and 2014, totaled \$592,800 and \$469,768, respectively.

18. Pension plan The Foundation offers a tax-sheltered 403(b) annuity plan to its employees. All full time employees are eligible for participation on the first of the month following the date of employment. No contributions were made by the Foundation to the plan in either 2015 or 2014.

19. Deferred compensation plans The Foundation has established a nonqualified deferred compensation plan (457(b) Plan) for members of management. Assets held in the 457(b) Plan were \$71,487 and \$0 as of December 31, 2015 and 2014, respectively. A deferred compensation liability in the same respective amounts, representing employee contributions, is included in the accompanying Statements of Financial Position. The assets held for the plan are distributed upon termination of employment and until that time, remain subject to the claims of the Foundation's general creditors.

The Foundation also entered into a deferred compensation plan under Section 457(f) of the Internal Revenue Code with its president. Assets held in the Plan were \$145,165 and \$0 as of December 31, 2015 and 2014, respectively. A deferred compensation liability in the same respective amounts, representing employer contributions, is included in the accompanying Statements of Financial Position. Employer contributions to the plan totaled \$148,667 and \$0 for the years ended December 31, 2015 and 2014, respectively.

20. Related party transactions 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, 2015 and 2014, totaled approximately \$0 and \$13,000, respectively. Amounts purchased or incurred with these related parties totaled approximately \$18,000 and \$87,000, for the years ended December 31, 2015 and 2014, respectively. During the years ended December 31, 2015 and 2014, Board members contributed approximately \$20,000 and \$25,000, respectively, to the Foundation.

21. Risk and uncertainties The Foundation invests in various investment securities that are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Foundation's account balances and amounts reported in the Statements of Financial Position.



Independent Auditor's Report on Supplementary Information

Board of Directors
Young America's Foundation
Reston, Virginia

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We have audited the financial statements of **Young America's Foundation** as of and for the years ended December 31, 2015 and 2014, and our report thereon dated July 6, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. 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 29 and 30 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 6, 2016

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2015</i>	Program Services			Supporting Services			Total
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising and marketing	\$ 32,091	\$ 549,621	\$ 581,712	\$ 8,401	\$ -	\$ 8,401	\$ 590,113
Conferences, banquets and meetings	19,770	1,534,428	1,554,198	208	46,716	46,924	1,601,122
Consulting and outsourcing	438,106	507,406	945,512	128,703	178,770	307,473	1,252,985
Depreciation	256,963	692,931	949,894	219,749	168,378	388,127	1,338,021
Equipment and maintenance	73,767	398,515	472,282	-	41,129	41,129	513,411
Honorarium	-	1,062,878	1,062,878	-	-	-	1,062,878
Insurance	49,026	51,854	100,880	-	170,663	170,663	271,543
Interest	-	23,584	23,584	-	610	610	24,194
Intern sponsorships	-	215,250	215,250	-	-	-	215,250
List rental	301,444	11,417	312,861	110,315	-	110,315	423,176
Maintenance and preservation	-	158,521	158,521	-	4,587	4,587	163,108
Other expenses	49,738	164,695	214,433	15,803	145,786	161,589	376,022
Payroll taxes	27,605	191,600	219,205	14,823	29,170	43,993	263,198
Postage and shipping	1,843,465	18,849	1,862,314	571,742	5,819	577,561	2,439,875
Printing	1,863,042	209,506	2,072,548	495,591	2,337	497,928	2,570,476
Professional fees	132,582	225,266	357,848	6,672	209,202	215,874	573,722
Publications	36,172	421,955	458,127	147	6,632	6,779	464,906
Rent and occupancy	58,691	623,044	681,735	32,575	132,961	165,536	847,271
Salaries and benefits	524,036	3,751,557	4,275,593	336,457	539,983	876,440	5,152,033
Supplies	70,650	212,142	282,792	28,266	52,003	80,269	363,061
Travel	33,774	877,825	911,599	1,325	62,856	64,181	975,780
Total expenses	\$ 5,810,922	\$ 11,902,844	\$ 17,713,766	\$ 1,970,777	\$ 1,797,602	\$ 3,768,379	\$ 21,482,145

See Independent Auditors Report on Supplementary Information

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2014</i>	Program Services			Supporting Services			Total
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising and marketing	\$ 4,774	\$ 132,326	\$ 137,100	\$ 14,540	\$ -	\$ 14,540	\$ 151,640
Conferences, banquets and meetings	9,808	1,075,492	1,085,300	-	36,019	36,019	1,121,319
Consulting and outsourcing	1,378,078	600,329	1,978,407	314,141	139,092	453,233	2,431,640
Depreciation	179,259	483,393	662,652	153,298	122,848	276,146	938,798
Equipment and maintenance	34,891	359,628	394,519	-	30,736	30,736	425,255
Honorarium	-	800,622	800,622	-	-	-	800,622
Insurance	17,481	147,947	165,428	5,343	23,280	28,623	194,051
Interest	-	71,079	71,079	-	370	370	71,449
Intern sponsorships	-	220,300	220,300	-	-	-	220,300
List rental	291,246	18,468	309,714	61,771	-	61,771	371,485
Maintenance and preservation	-	163,754	163,754	-	2,066	2,066	165,820
Other expenses	62,589	117,166	179,755	15,078	105,415	120,493	300,248
Payroll taxes	52,689	129,252	181,941	38,871	30,850	69,721	251,662
Postage and shipping	1,610,759	112,544	1,723,303	265,954	3,731	269,685	1,992,988
Printing	1,522,485	144,984	1,667,469	225,695	6,142	231,837	1,899,306
Professional fees	497,574	249,643	747,217	4,460	190,813	195,273	942,490
Publications	58,641	194,748	253,389	-	12,578	12,578	265,967
Rent and occupancy	102,788	419,376	522,164	67,955	170,372	238,327	760,491
Salaries and benefits	894,046	2,413,533	3,307,579	752,441	589,448	1,341,889	4,649,468
Supplies	65,986	111,695	177,681	8,819	296,501	305,320	483,001
Travel	104,805	863,935	968,740	466	27,429	27,895	996,635
Total expenses	\$ 6,887,899	\$ 8,830,214	\$ 15,718,113	\$ 1,928,832	\$ 1,787,690	\$ 3,716,522	\$ 19,434,635

See Independent Auditor's Report on Supplementary Information.