



Young America's Foundation

Financial Statements
For the Years Ended
December 31, 2005 and 2004
With Independent Auditors' Report

Young America's Foundation
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With Independent Auditors' Report

CONTENTS	PAGE
Independent Auditors' Report	1
Financial Statements:	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to Financial Statements	7-15

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of YOUNG AMERICA'S FOUNDATION (the "Foundation") as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YOUNG AMERICA'S FOUNDATION as of December 31, 2005 and 2004, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fitzgerald, Snyder & Co., P.C.

McLean, Virginia
June 20, 2006

Young America's Foundation

Statements of Financial Position

December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,211,910	\$ 899,944
Investments	3,610,186	4,630,968
Accounts receivable, net of allowance	43,066	10,500
Bequests receivable	2,776,244	-
Promises to give	1,485,293	1,112,250
Total current assets	<u>10,126,699</u>	<u>6,653,662</u>
NONCURRENT INVESTMENTS	1,572,270	1,436,614
PROPERTY, BUILDINGS & EQUIPMENT, net	9,908,848	10,031,897
CONSTRUCTION IN PROCESS	4,652,630	799,961
OTHER ASSETS:		
Promises to give, net	461,604	682,540
Property held for sale	320,000	320,000
Collections	913,336	862,887
Deposits	24,360	23,110
Derivative Asset	9,405	-
Beneficial interests in charitable remainder trusts	42,620	42,620
Total other assets	<u>1,771,325</u>	<u>1,931,157</u>
	<u>\$ 28,031,772</u>	<u>\$ 20,853,291</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,099,494	\$ 1,029,473
Annuities payable	126,476	106,151
Notes payable	192,339	710,000
Obligation under capital lease	-	2,558
Deposit liability	2,400	2,400
Total current liabilities	<u>1,420,709</u>	<u>1,850,582</u>
LONG-TERM LIABILITIES:		
Notes payable	2,279,925	-
Annuities payable	588,335	580,007
Total long-term liabilities	<u>2,868,260</u>	<u>580,007</u>
Total liabilities	<u>4,288,969</u>	<u>2,430,589</u>
COMMITMENTS	-	-
NET ASSETS:		
Unrestricted	18,006,335	15,685,500
Temporarily restricted	4,466,468	2,467,202
Permanently restricted	1,270,000	270,000
Total net assets	<u>23,742,803</u>	<u>18,422,702</u>
	<u>\$ 28,031,772</u>	<u>\$ 20,853,291</u>

Young America's Foundation

Statements of Activities

For the Years Ended December 31, 2005 and 2004

	2005				2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	\$ 7,036,422	\$ 5,716,706	\$ -	\$ 12,753,128	\$ 12,261,598	\$ 355,065	\$ -	\$ 12,616,663
Bequests	3,289,760	-	1,000,000	4,289,760	317,558	-	-	317,558
Conference income	22,325	-	-	22,325	8,075	-	-	8,075
Speaker income	515,645	-	-	515,645	569,104	-	-	569,104
List rental income	166,321	-	-	166,321	174,548	-	-	174,548
Publication sales	10,032	-	-	10,032	13,068	-	-	13,068
Gain on interest rate swap	9,405	-	-	9,405	-	-	-	-
Change in value of annuities	-	9,108	-	9,108	-	630,044	-	630,044
Rental income	35,040	-	-	35,040	69,283	-	-	69,283
Investment return	40,946	-	-	40,946	373,094	-	-	373,094
Loss on sale of property	-	-	-	-	(13,827)	-	-	(13,827)
Other income	210,383	-	-	210,383	128,552	-	-	128,552
Net assets released from restriction	3,726,548	(3,726,548)	-	-	2,448,941	(2,448,941)	-	-
Total support and revenue	15,062,827	1,999,266	1,000,000	18,062,093	16,349,994	(1,463,832)	-	14,886,162
EXPENSES:								
Program services:								
Public information	3,112,964	-	-	3,112,964	2,553,384	-	-	2,553,384
Special projects	6,792,430	-	-	6,792,430	6,584,961	-	-	6,584,961
Total program services	9,905,394	-	-	9,905,394	9,138,345	-	-	9,138,345
Supporting services:								
Fundraising	2,129,834	-	-	2,129,834	2,229,877	-	-	2,229,877
Management and general	706,764	-	-	706,764	720,633	-	-	720,633
Total supporting services	2,836,598	-	-	2,836,598	2,950,510	-	-	2,950,510
Total expenses	12,741,992	-	-	12,741,992	12,088,855	-	-	12,088,855
CHANGE IN NET ASSETS	2,320,835	1,999,266	1,000,000	5,320,101	4,261,139	(1,463,832)	-	2,797,307
NET ASSETS, BEGINNING OF YEAR,	15,685,500	2,467,202	270,000	18,422,702	11,424,361	3,931,034	270,000	15,625,395
NET ASSETS, END OF YEAR	\$ 18,006,335	\$ 4,466,468	\$ 1,270,000	\$ 23,742,803	\$ 15,685,500	\$ 2,467,202	\$ 270,000	\$ 18,422,702

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

Young America's Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2005

	Program Services			Supporting Services			Total 2005
	Public Information	Special Projects	Total	Fund-raising	Management and General	Total	
Accounting and legal	\$ -	\$ 79,313	\$ 79,313	\$ -	\$ 66,052	\$ 66,052	\$ 145,365
Advertising	3,100	55,421	58,521	2,300	-	2,300	60,821
Bad debt	-	-	-	-	32,585	32,585	32,585
Bank charges and investment fees	-	-	-	-	36,881	36,881	36,881
Banquets	-	62,451	62,451	-	-	-	62,451
Board meetings	-	22	22	-	5,358	5,358	5,380
Communications	754,110	579,741	1,333,851	457,206	-	457,206	1,791,057
Conference and seminars	-	927,104	927,104	-	-	-	927,104
Consultants	136,075	161,724	297,799	30,303	-	30,303	328,102
Data processing	-	-	-	-	136,062	136,062	136,062
Depreciation	43,238	122,886	166,124	40,962	20,480	61,442	227,566
Donations	-	100	100	-	-	-	100
Equipment and maintenance	-	-	-	-	163,672	163,672	163,672
Honorarium	-	593,638	593,638	-	-	-	593,638
Insurance	713	50,994	51,707	793	4,419	5,212	56,919
Interest	-	59,679	59,679	-	-	-	59,679
Interns	-	45	45	-	-	-	45
Lectures	-	165,698	165,698	-	-	-	165,698
List rental	187,279	31,543	218,822	95,166	-	95,166	313,988
Maintenance and preservation - Reagan Ranch	-	172,524	172,524	-	-	-	172,524
Other taxes and fees	226	8,404	8,630	-	8,413	8,413	17,043
Payroll taxes	27,177	77,240	104,417	25,747	12,873	38,620	143,037
Penalties	2,856	8,117	10,973	2,706	1,353	4,059	15,032
Personal property tax	-	-	-	-	4,960	4,960	4,960
Postage and shipping	1,336,227	358,162	1,694,389	807,546	3,764	811,310	2,505,699
Printing	244,229	502,771	747,000	388,140	-	388,140	1,135,140
Publications	-	89,445	89,445	-	-	-	89,445
Public relations	-	92,626	92,626	-	-	-	92,626
Real estate tax	-	63,568	63,568	-	23,385	23,385	86,953
Rent and occupancy	30,350	86,258	116,608	28,753	14,376	43,129	159,737
Research	6,196	17,969	24,165	-	501	501	24,666
Retreat	-	18,906	18,906	-	-	-	18,906
Salaries and benefits	313,924	2,002,170	2,316,094	224,506	157,834	382,340	2,698,434
Scholarships	-	29,000	29,000	-	-	-	29,000
Supplies and miscellaneous	18,352	52,159	70,511	17,386	8,693	26,080	96,591
Telecommunications	8,614	24,481	33,095	8,160	4,080	12,240	45,335
Travel	298	298,271	298,569	160	1,022	1,182	299,751
	<u>\$ 3,112,964</u>	<u>\$ 6,792,430</u>	<u>\$ 9,905,394</u>	<u>\$ 2,129,834</u>	<u>\$ 706,764</u>	<u>\$ 2,836,598</u>	<u>\$ 12,741,992</u>

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

Young America's Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2004

	Program Services			Supporting Services			Total 2004
	Public Information	Special Projects	Total	Fund- raising	Management and General	Total	
Accounting and legal	\$ -	\$ 8,064	\$ 8,064	\$ -	\$ 53,553	\$ 53,553	\$ 61,617
Advertising	-	71,235	71,235	-	-	-	71,235
Bad debt	-	-	-	-	10,500	10,500	10,500
Bank charges and investment fees	-	-	-	44	40,861	40,905	40,905
Banquets	-	48,958	48,958	-	-	-	48,958
Board meetings	-	-	-	-	9,040	9,040	9,040
Communications	1,052,684	798,531	1,851,215	684,269	300	684,569	2,535,784
Conference and seminars	-	830,408	830,408	-	-	-	830,408
Consultants	139,850	123,231	263,081	35,423	-	35,423	298,504
Data processing	-	-	-	-	124,525	124,525	124,525
Depreciation	31,521	128,674	160,195	40,279	19,765	60,044	220,239
Donations	-	-	-	-	-	-	-
Equipment and maintenance	-	-	-	-	143,943	143,943	143,943
Honorarium	-	754,700	754,700	-	-	-	754,700
Insurance	1,855	81,620	83,475	1,855	7,420	9,275	92,750
Interest	-	149,993	149,993	-	-	-	149,993
Interns	-	-	-	-	-	-	-
Lectures	-	150,043	150,043	-	-	-	150,043
List rental	101,948	47,656	149,604	66,820	-	66,820	216,424
Maintenance and preservation - Reagan Ranch	-	70,138	70,138	-	-	-	70,138
Other taxes and fees	-	9,202	9,202	250	24,430	24,680	33,882
Payroll taxes	18,938	108,678	127,616	25,157	13,011	38,168	165,784
Penalties	-	-	-	-	7,794	7,794	7,794
Personal property tax	-	-	-	-	9,215	9,215	9,215
Postage and shipping	714,453	680,787	1,395,240	623,180	5,273	628,453	2,023,693
Printing	107,114	469,344	576,458	257,048	3,498	260,546	837,004
Publications	-	96,466	96,466	-	-	-	96,466
Public relations	-	75,579	75,579	7,612	-	7,612	83,191
Real estate tax	1,970	86,684	88,654	1,970	7,880	9,850	98,504
Rent and occupancy	17,259	70,455	87,714	22,054	10,823	32,877	120,591
Research	389	14,065	14,454	553	732	1,285	15,739
Retreat	-	-	-	-	-	-	-
Salaries and benefits	347,286	1,417,690	1,764,976	443,778	217,779	661,557	2,426,533
Scholarships	-	2,200	2,200	-	-	-	2,200
Supplies and miscellaneous	8,665	34,374	43,039	11,073	5,434	16,507	59,546
Telecommunications	6,070	24,781	30,851	7,757	3,807	11,564	42,415
Travel	3,382	231,405	234,787	755	1,050	1,805	236,592
	<u>\$ 2,553,384</u>	<u>\$ 6,584,961</u>	<u>\$ 9,138,345</u>	<u>\$ 2,229,877</u>	<u>\$ 720,633</u>	<u>\$ 2,950,510</u>	<u>\$ 12,088,855</u>

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

Young America's Foundation

Statements of Cash Flows

For the Years Ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,320,101	\$ 2,797,307
Adjustments to reconcile change in net assets to net cash provide by operating activities:		
Depreciation	227,566	220,239
Contributed investments	(1,474,790)	(1,422,315)
Unrealized gain on interest rate swap	(9,405)	-
Actuarial change in annuity liability	(39,355)	(607,414)
Unrealized (gain) loss on marketable securities	132,338	(219,345)
Loss (gain) on sale of property	-	13,827
Changes in assets and liabilities affecting operations:		
Accounts receivable	(32,566)	438
Bequests receivable	(2,776,244)	8,547
Promises to give	(152,107)	1,511,885
Deposits	(1,250)	(18,102)
Accounts payable and accrued expenses	70,021	(885,197)
Net cash provided by operating activities	<u>1,264,309</u>	<u>1,399,870</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	3,857,671	2,730,838
Purchase of investments	(1,630,094)	(1,865,212)
Proceeds from sale of property	-	33,548
Purchase of property and equipment	(154,965)	(443,352)
Construction in process	(3,852,669)	(642,106)
Net cash used in investing activities	<u>(1,780,057)</u>	<u>(186,284)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new borrowings	2,472,264	-
Repayments of notes payable	(710,000)	(1,390,000)
Annuities issued	185,000	294,346
Payments on annuities	(116,992)	(129,264)
Repayments of capital leases	(2,558)	(4,215)
Net cash provided by (used in) financing activities	<u>1,827,714</u>	<u>(1,229,133)</u>
NET CHANGE IN CASH	1,311,966	(15,547)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>899,944</u>	<u>915,491</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>2,211,910</u>	\$ <u>899,944</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	\$ <u>59,679</u>	\$ <u>149,993</u>

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

A. ORGANIZATION

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

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

The Foundation's program activities include:

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

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

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2005 and 2004, the Foundation had \$4,466,468 and \$2,467,202, respectively, in temporarily restricted net assets and \$1,270,000 and \$270,000 in permanently restricted net assets respectively.

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

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

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

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

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

Accounts receivable - The Foundation uses the allowance method to account for amounts, if any, of its accounts receivable, which are considered uncollectible. The Foundation bases its assessment of the allowance for doubtful accounts on historical losses and current economic conditions. Accounts receivable are determined to be past due based on a contractual term of 30 days. As of December 31, 2005 and 2004, the allowance for doubtful accounts was \$43,085 and \$10,500, respectively.

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

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give - As of December 31, 2005 and 2004, the outstanding balances of promises to give made by donors were \$2,035,293 and \$1,864,750, respectively. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows and are reflected net of a discount of \$88,396 and \$69,960 for the years ended December 31, 2005 and 2004, calculated using a discount rate of five percent.

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

Advertising costs - Advertising costs are expensed as incurred. For the years ended December 31, 2005 and 2004, advertising costs totaled \$60,821 and \$71,235, respectively.

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

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

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

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

Reclassifications - Certain 2004 financial information has been reclassified to conform to the 2005 presentation.

C. INVESTMENTS

Investments at December 31, 2005 and 2004 consisted of short-term investments in marketable equity and debt securities and mutual funds totaling \$3,610,186 and \$4,630,968, respectively and noncurrent investments in the amounts of \$1,572,270 and \$1,436,614, respectively. The Foundation considers investment return on restricted funds to be unrestricted support if restrictions are met during the fiscal year. All investments are recorded at their fair market value using published market data.

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

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

C. INVESTMENTS (continued)

Investments consisted of the following as of December 31:

	<u>2005</u>	<u>2004</u>
Short-term investments:		
Equity securities	\$ 1,693,045	\$ 2,130,295
Debt securities	471,067	709,659
Mutual funds	1,446,074	1,791,014
	<u>3,610,186</u>	<u>4,630,968</u>
Noncurrent investments:		
Permanently restricted net assets:		
Investment cash	70,000	70,000
Equities and mutual funds	<u>200,000</u>	<u>200,000</u>
	<u>270,000</u>	<u>270,000</u>
Annuities:		
Investment cash	78,041	111,604
Equity securities	490,880	583,280
Mutual funds	<u>733,349</u>	<u>471,730</u>
	<u>1,302,270</u>	<u>1,166,614</u>
Total noncurrent investments	<u>1,572,270</u>	<u>1,436,614</u>
Total investments	\$ <u>5,182,456</u>	\$ <u>6,067,582</u>

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

	<u>2005</u>	<u>2004</u>
Investment return:		
Interest and dividends	\$ 245,891	\$ 255,592
Realized/unrealized gains (losses)	<u>(132,338)</u>	<u>219,345</u>
Gross investment return	113,553	474,937
Less: Investment gain on annuities included in change in value of annuities	<u>(72,607)</u>	<u>(101,843)</u>
	\$ <u>40,946</u>	\$ <u>373,094</u>

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2005 and 2004 are available for the following purposes:

	<u>2005</u>	<u>2004</u>
Program assistance:		
Wood Lecture Series	\$ 113,248	\$ 123,748
Intern endowment	-	25,588
	<u>113,248</u>	<u>149,336</u>
Time restricted for periods after December 31:		
Promises to give	1,946,897	1,794,790
Bequests receivable	1,776,244	-
Beneficial interests in charitable trusts	42,620	42,620
Gift annuities	587,459	480,456
	<u>4,353,220</u>	<u>2,317,866</u>
Total temporarily restricted net assets	\$ <u>4,466,468</u>	\$ <u>2,467,202</u>

E. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of donations made with the restriction that the principal be maintained in perpetuity. The income earned on this principal is restricted for the purpose of internships, scholarships, the annual high school conference and the Reagan Ranch. Permanently restricted assets amounted to \$1,270,000 and 270,000 as of December 31, 2005 and 2004 respectively.

The Foundation received an endowment in the amount of \$200,000 for the purpose of supporting the Foundation's intern program. Additionally, the Foundation received endowments in the amount of \$50,000 for the purpose of awarding scholarships and \$20,000 for the Reagan Ranch Program. During 2005, the Foundation received notice of a bequest of \$1,000,000 to fund an endowment to support the annual high school conference. Funds related to endowments are permanently restricted and are to be held in perpetuity.

F. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by donors, are as follows for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Honorariums	\$ 10,500	\$ 10,000
Internships	25,588	-
Time Restricted	<u>3,690,460</u>	<u>2,438,941</u>
	\$ <u>3,726,548</u>	\$ <u>2,448,941</u>

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

G. PROPERTY, BUILDINGS AND EQUIPMENT

The following is a summary of property, buildings and equipment, and accumulated depreciation as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Building and land	\$ 10,604,815	\$ 10,604,815
Furniture and equipment	<u>684,816</u>	<u>686,946</u>
	11,289,631	11,291,761
Less: accumulated depreciation	<u>(1,380,783)</u>	<u>(1,259,864)</u>
	<u>\$ 9,908,848</u>	<u>\$ 10,031,897</u>

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

Depreciation expense totaled \$227,566 and \$220,239, respectively for the years ended December 31, 2005 and 2004.

H. COLLECTIONS

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

I. NOTES PAYABLE

The Foundation has a note payable with a financial institution in the amount of \$2,421,215 with an interest rate of 7.25%. The note payable is secured by a deed of trust on a four-story commercial real estate property owned by the Foundation in Santa Barbara, California ("the Property"). The note calls for quarterly payments of interest plus 1/48 of the outstanding principal balance with the principal payment rounded up to the next \$10,000. The note has a maturity date of June 30, 2010.

Additionally, the Foundation purchased two vehicles during 2005 for use at the Reagan Ranch in Santa Barbara, California. These vehicles were financed with four year notes payable through the selling dealership. At December 31, 2005 the two notes had balances of \$18,286, on which the Foundation is paying 9.9% interest, and \$32,763, on which the Foundation is paying 8.25% interest.

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

I. NOTES PAYABLE (continued)

Future maturities of the notes payable at December 31, 2005 are as follows:

For the years ending December 31,

2006	\$ 192,339
2007	253,477
2008	254,720
2009	250,316
2010 and after	<u>1,521,412</u>
	<u>\$ 2,472,264</u>

J. DERIVATIVE INSTRUMENT

In July 2005, the Foundation entered into a debt related interest rate swap agreement with a financial institution. This interest rate swap was used as a cash flow hedge to synthetically fix the rate on the note payable and to eliminate changes in the market interest rates. The Foundation documents its risk management strategy and hedge effectiveness at the inception and during the term of the hedge. The fair market value of the swap at December 31, 2005 totaled an asset of \$9,405 as provided by the financial institution. The change in the value has been recorded as an unrealized gain from interest rate swap on the Statement of Activities. Additionally, at contract maturity in 2011, all assets or liabilities related to the swap convert to zero.

K. RELATED PARTY TRANSACTIONS

The Foundation has purchased publications from a publishing company owned, in part, by a member of the Board of Directors. Additionally, the Foundation's Vice President is a principal in a firm which provides consulting services to the Foundation. Board members are prohibited from participating in decisions for which they have an interest. The amount owed to related parties as of December 31, 2005 and 2004 totaled approximately zero and \$20,000, respectively. Amounts purchased or incurred with these related parties totaled approximately \$57,000 and \$58,000 during 2005 and 2004, respectively. During 2005 and 2004 these Board members contributed approximately \$81,000 and \$113,000, respectively, to the Foundation.

L. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of cash and investments. The Foundation maintains its cash accounts, in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC insures cash balances up to \$100,000 at each institution and certain investment accounts are insured up to \$500,000 under the Securities Investment Protection Corporation. At December 31, 2005 and 2004, the Foundation had uninsured cash balances totaling approximately \$2,700,000 and \$1,100,000, respectively and uninsured investment balances totaling approximately, \$4,100,000 and \$4,300,000, respectively.

Young America's Foundation

Notes to Financial Statements

December 31, 2005 and 2004

L. CONCENTRATION OF CREDIT RISK (continued)

For the year ended December 31, 2004, no individual donor contributed or pledged over ten percent of total support and revenue. However, one donor's pledge balance represents 91% of the total promises to give at December 31, 2004.

For the year ended December 31, 2005, no individual donor contributed or pledged over ten percent of total support and revenue. However two different donors had pledge balances outstanding at December 31, 2005, which represented 22% and 25% of total pledges receivable.

M. ANNUITIES PAYABLE

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

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as temporarily restricted contributions revenue at the date of the gift, since the gift portion is restricted until the obligations under the annuity have been met. Income earned on annuity investments and distributions paid are credited and charged, respectively, against temporarily restricted revenue. For the years ended December 31, 2005 and 2004, contributions related to gift annuities were \$ 101,946 and \$ 111,827, respectively.

The annuity liability is revalued annually based upon actuarially computed present values. Resulting actuarial gain or loss is recorded as other temporarily restricted revenue in the Statement of Activities.

N. CHANGE IN VALUE OF ANNUITIES

Change in value of annuities consists of:

	<u>2005</u>	<u>2004</u>
Investment income	\$ 50,343	\$ 51,761
Realized and unrealized gains (losses)	22,264	50,082
Actuarial adjustment	64,416	666,837
Payments to beneficiaries and fees	<u>(127,915)</u>	<u>(138,636)</u>
	<u>\$ 9,108</u>	<u>\$ 630,044</u>

O. PENSION PLAN

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

Young America's Foundation
Notes to Financial Statements
December 31, 2005 and 2004

P. ALLOCATION OF JOINT COSTS

During 2005 and 2004, the Foundation incurred joint costs of \$5,334,371 and \$5,799,746, respectively, for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to SOP 98-2 (see Note B) these costs were allocated to the functional areas as follows for the years ended December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Public Information	\$ 2,459,751	\$ 1,971,056
Special Projects	1,129,969	2,192,826
Fundraising	1,740,887	1,626,831
Management and general	<u>3,764</u>	<u>9,033</u>
	<u>\$ 5,334,371</u>	<u>\$ 5,799,746</u>