YOUNG AMERICA'S FOUNDATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2008

Young America's Foundation

Table of Contents

805 King Farm Boulevard
Suite 300
Rockville, Maryland 20850
301.231.6200 Main
301.231.7630 Fax

Independent Auditor's Report

Board of Directors
Young America's Foundation
Herndon, Virginia

We have audited the accompanying Statement of Financial Position of **Young America's Foundation** (the Foundation) as of December 31, 2008, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2008, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20, the opening net assets as of January 1, 2008 have been adjusted to correct an error regarding the value of property and contributions.

Aronson & Company

Rockville, Maryland
April 6, 2010

Young America's Foundation

Statement of Financial Position

December 31, 2008

Assets

Current assets		
Cash and cash equivalents	$	1,050,220
Investments		2,678,454
Accounts receivable, net		90,225
Bequests receivable		25,000
Promises to give		2,257,980
Total current assets		6,101,879
Cash held for long term purposes		324,003
Investments, net of current portion		4,200,290
Property, buildings and equipment, net		20,970,835
Construction in progress		1,369,975
Promises to give, net		6,577,916
Collections		976,428
Other assets		694,206
Total assets	$	41,215,532

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	$	1,925,009
Annuities payable		176,064
Notes payable		4,235,695
Total current liabilities		6,336,768
Long-term liabilities		
Notes payable, net of current portion		14,124
Annuities payable, net of current portion		766,789
Derivative liability		289,087
Total liabilities		7,406,768
Net assets		
Unrestricted		19,898,970
Temporarily restricted		1,406,672
Permanently restricted		12,503,122
Total net assets		33,808,764
Total liabilities and net assets	$	41,215,532

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

Young America's Foundation

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2008	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions	$ 10,504,592	$ 43,370	$ 9,333,122	$ 19,881,084
Bequests	515,263	-	-	515,263
Conference income	50,288	-	-	50,288
Speaker income	691,028	-	-	691,028
List rental income	147,578	-	-	147,578
Publication sales	11,554	-	-	11,554
Loss on interest rate swap	(154,793)	-	-	(154,793)
Change in value of annuities	-	(228,206)	-	(228,206)
Rental income	38,225	-	-	38,225
Investment loss	(2,085,461)	-	-	(2,085,461)
Other income	30,123	-	-	30,123
Net assets released form restrictions	3,910,429	(3,910,429)	-	-
Total support and revenue	13,658,826	(4,095,265)	9,333,122	18,896,683
Expenses				
Program services:				
Public information	4,945,842	-	-	4,945,842
Special projects	8,220,897	-	-	8,220,897
Total program services	13,166,739	-	-	13,166,739
Supporting services:				
Fundraising	1,746,831	-	-	1,746,831
Management and general	809,045	-	-	809,045
Total supporting services	2,555,876	-	-	2,555,876
Total expenses	15,722,615	-	-	15,722,615
Change in net assets	(2,063,789)	(4,095,265)	9,333,122	3,174,068
Net assets, beginning of year - as previously stated	22,275,930	5,391,516	3,170,000	30,837,446
Restatement for correction of error	(313,171)	110,421	-	(202,750)
Net assets, beginning of year - as restated	21,962,759	5,501,937	3,170,000	30,634,696
Net assets, end of year	$ 19,898,970	$ 1,406,672	$ 12,503,122	$ 33,808,764

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

Young America's Foundation

Statement of Cash Flows

For the Year Ended December 31, 2008

Cash flows from operating activities		
Change in net assets	$	3,174,068
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation		679,265
Contributed investments		(640,557)
Unrealized loss on derivative liability		154,793
Actuarial change in annuity liability		47,001
Realized and unrealized loss on investments related to annuities		242,380
Realized and unrealized loss on investments		2,480,239
Receipt of permanently restricted contributions		(1,067,885)
(Increase) decrease in:		
Accounts receivable		(19,125)
Bequests receivable		1,221,000
Promises to give		(7,118,249)
Other assets		(41,393)
Increase (decrease) in:		
Accounts payable and accrued expenses		470,957
Net cash used in operating activities		(417,506)
Cash flows from investing activities		
Change in cash held for long term purposes		266,322
Sale of investments		1,995,201
Purchase of investments		(2,718,275)
Purchase of property, buildings and equipment		(277,097)
Payments on construction in progress		(1,237,205)
Net cash used in investing activities		(1,971,055)
Cash flows from financing activities		
Proceeds from new borrowings		18,400
Repayments of notes payable		(662,765)
Annuities issued		66,630
Repayments on annuities		(193,328)
Receipt of permanently restricted contributions		1,067,885
Net cash provided in financing activities		296,822
Net change in cash and cash equivalents		(2,091,738)
Cash and cash equivalents, beginning of year		3,141,959
Cash and cash equivalents, end of year	$	1,050,220
Supplemental disclosures		
Interest paid	$	336,527

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

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

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.

Cash and cash equivalents: For the purposes of financial statement presentation, the Foundation considers all highly liquid debt instruments purchased with original maturities of three months 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 market value and contributions of marketable securities are recorded at their fair market value at the date of the donation. Fair market value is determined from public market data. Non-current investments include those received with donor-imposed restrictions that limit their use to long-term purposes as temporarily or permanently restricted investments.

Accounts receivable: Accounts receivable are amounts due from colleges and universities for speaker reimbursements. The Foundation uses the allowance method to account for amounts, if any, of its accounts receivable which are considered uncollectible. The Foundation bases its assessment for the allowance for doubtful accounts on historical losses and current economic conditions. Accounts receivable are determined to be past due on a contractual term of 30 days. As of December 31, 2008 the allowance for doubtful accounts was $25,000.

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.

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

Promises to give: 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, calculated using a discount rate of approximately four percent. Management does not believe that any allowance for uncollectible promises to give is necessary. All of the promises to give are expected to be collected within five years (See Note 4).

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

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

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

Derivative financial instruments: The Foundation uses an interest rate swap agreement to reduce the impact of interest rate changes on its debt. The interest rate swap agreement involves the exchange of variable for fixed rate interest payments without the exchange of the underlying notional amount. The fair value of the interest rate swap is the estimated settlement amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the credit worthiness of the swap counter parties. This agreement is recognized as either an asset or liability at the fair value in the Statement of Financial Position with the changes in fair value reported in the current period earnings (See Note 9).

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. An actuarial adjustment is recognized in the Statement of Activities and Changes in Net Assets for the change in the value (See Note 10).

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

Revenue recognition:

Contributions – Promises to give are recorded as contributions when received. The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement 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 are recognized when notification is received from the estate of an unconditional bequest that is measurable.

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

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

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

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

Functional allocation of expenses: The Foundation's expenses have been summarized on a functional basis in the 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 Government 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 or 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.

Advertising: Advertising costs are expensed as incurred. For the year ended December 31, 2008 advertising costs totaled $137,575.

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

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.

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 requires changes in recognition and measurement for uncertain tax positions. The Foundation has elected to defer the implementation of FIN 48 until its fiscal year beginning January 1, 2009, as permitted by FASB Staff Position (FSP) FIN 48-3, and is currently assessing the impact of this change on its financial position and results of operations.

The Foundation currently evaluates uncertain tax positions under the provisions of Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. The effects of tax positions are generally recognized in the financial statements consistent with amounts reflected in returns filed, or expected to be filed, with taxing authorities. For tax positions that the Foundation considers to be uncertain, current and deferred tax liabilities are recognized, or assets derecognized, when it is probable that an income tax liability has been incurred and the amount of the liability is reasonably estimable, or when it is probable that a tax benefit, such as a tax credit or loss carryforward, will be disallowed by a taxing authority.

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.

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

Investments consisted of the following as of December 31, 2008:

Domestic equity mutual fund	**$**	**1,880,384**
International equity mutual fund		**922,820**
International real estate mutual fund		**155,002**
Fixed income mutual fund		**427,071**
Government securities		**2,543,407**
Corporate bond funds		**97,273**
Certificate of deposit		**250,000**
Equities		**602,787**
Total investments	**$**	**6,878,744**

Investment return consisted of the following for the year ended December 31, 2008:

Investment return:		
Interest and dividends	**$**	**455,953**
Realized/unrealized losses		**(2,722,619)**
Gross investment return		**(2,266,666)**
Less: Investment return included in change in value of annuities		**181,205**
	$	**(2,085,461)**

3. Fair value

The Foundation values certain assets and liabilities in accordance with the Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*, and Statement of Financial Accounting Standards No. 157 ("SFAS 157"), *Fair Value Measurements*. SFAS 157 establishes 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;

3. Fair value (continued)

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

The fair value of derivative liability and investments as of December 31, 2008 is as follows:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$ (289,087)	$ -	$ -	$ (289,087)
Investments:				
Equities	602,787	602,787	-	-
Fixed income securities	427,071	427,071	-	-
Domestic equity mutual funds	1,880,384	1,880,384	-	-
International equity mutual funds	922,820	922,820	-	-
International real estate mutual funds	155,002	155,002	-	-
Government securities	2,543,407	1,670,124	873,283	-
Certificate of deposit	250,000	-	250,000	-
Corporate bonds	97,273	-	97,273	-
Total investments:	6,878,744	5,658,188	1,220,556	-

3. Fair value (continued)

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

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

Fair Value Measurements
Using Significant Unobservable Inputs
(Level 3)

	Derivative Liability
Beginning balance	**$ (134,294)**
Unrealized loss on derivative liability	**(154,793)**
Ending balance	**$ (289,087)**

4. Promises to give

At December 31, 2008, promises to give are comprised of the following:

Total promises to give	**$ 9,577,532**
Less: discount	**(741,636)**
Promises to give, net	**8,835,896**
Less: promises to give due in one year or less	**(2,257,980)**
Long-term promises to give	**$ 6,577,916**

5. Risks and uncertainties

The Foundation holds investments in various securities, fixed income funds and alternative investments that are exposed to risks, such as interest rate and overall volatility risks. Recent market conditions have resulted in an unusually high degree of volatility and increased the risks associated with certain investments held by the Foundation. This will impact the value of investments after the date of these financial statements. Consistent with market conditions, the Foundation's investments may incur losses subsequent to December 31, 2008.

6. Property, buildings and equipment

At December 31, 2008, property, buildings and equipment is as follows:

Building and land	**$ 22,294,772**
Furniture and equipment	**1,562,956**
Total property and equipment	**23,857,728**
Less: Accumulated depreciation	**(2,886,893)**
Property, buildings and equipment, net	**$ 20,970,835**

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

Depreciation expense totaled $679,265 for the year ended December 31, 2008.

7. 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.

8. 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.

9. 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 11) and to eliminate changes in the market interest rates. The fair market value of the swap at December 31, 2008 was a liability of $289,087. The change in the value has been recorded as an unrealized loss from interest rate swap on the Statement of Activities and Changes in Net Assets. Additionally, at contract maturity in 2011, any asset or liability related to the swap will effectively equal zero.

10. 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 year ended December 31, 2008 contributions related to gift annuities were $43,370. 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, 2008:

Investment income	**$**	**61,175**
Unrealized losses		**(242,380)**
Actuarial adjustment		**(47,001)**
Change in value of annuities	**$**	**(228,206)**

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

The Foundation has a note payable with a financial institution in the amount of $4,220,104 with an interest rate of 7.75%. The note calls for monthly payments of interest plus quarterly payments of 1/48 of the outstanding principal balance with the principal payment rounded up to the next $10,000. The note has a maturity date of January 31, 2012. The Foundation is subject to a minimum debt service coverage ratio under this note, which was breached for the year ended December 31, 2008 and fiscal periods subsequently. In accordance with the remedies provided by the note agreement, the interest rate on the outstanding amount will increase by 2% effective on March 31, 2009. The Foundation is currently in default on this note as a result of the debt covenant breach.

The Foundation, subsequent to year end, has obtained a refinancing commitment with another financial institution whereby the loan balance, swap liability and closing costs will be refinanced into a first lien deed of trust for a maximum amount of $3,800,000, which approximates the total amount to be refinanced. The commitment was signed in April 2010, includes terms for a 15 year loan at a rate of 5.85% fixed for the first five years adjusting at five and ten years to the 30 day LIBOR five year equivalent fixed rate with a spread of 250 basis points and a floor rate of 5.85%, and is subject to customary conditions precedent to closing. The proposed terms include a security interest in the Property and assignment of rents and leases on the property. The Foundation will be subject to a minimum debt service coverage ratio of 1.00 to 1.00 and must maintain deposits with the institution at all times of $382,000.

Additionally, the Foundation purchased two vehicles during 2005 for use at the Reagan Ranch in Santa Barbara, California. The vehicles were financed with four year notes payable through the selling dealership. At December 31, 2008 the two notes had balances of $3,896, on which the Foundation is paying 9.9% interest, and $8,980, on which the Foundation is paying 8.25% interest.

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

Future maturities of the notes payable at December 31, 2008 are as follows:

2009	$ 4,235,695
2010	3,375
2011	3,867
2012	4,430
2013	2,452
	$ 4,249,819

12. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at December 31, 2008:

Program assistance:		
Wood lecture series	**$**	**52,528**
Time restricted for periods after December 31:		
Promises to give		**436,274**
Bequests receivable		**25,000**
Beneficial interests in charitable trusts		**185,885**
Gift annuities		**706,985**
Temporarily restricted net assets	**$**	**1,406,672**

13. 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, 2008:

Promises to give – Reagan Ranch	**$**	**8,399,622**
Internships		**200,000**
Reagan Ranch endowment		**2,247,500**
Scholarships		**130,000**
Yale lecture series		**500,000**
High school conference		**1,000,000**
Training seminar		**26,000**
Permanently restricted net assets	**$**	**12,503,122**

14. 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, 2008:

Reagan Ranch	**$**	**1,183,480**
Time restricted		**2,726,949**
Net assets released from restrictions	**$**	**3,910,429**

15. 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.

16. Allocation of joint costs

During 2008, the Foundation incurred joint costs of $4,789,232 for informational materials primarily related to direct mail, house file mailings and newsletters that included fundraising appeals. Pursuant to SOP 98-2 (See Note 1) these costs were allocated to the functional areas as follows for the year ended December 31, 2008:

Program services	**$ 3,969,003**
Fundraising	**820,230**
	$ 4,789,233

17. Related party transactions

The Foundation has purchased publications from a publishing company principally owned by a member of the Board of Directors. Additionally, the Foundation's Vice President is a principal in the 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, 2008, totaled approximately $13,000. Amounts purchased or incurred with these related parties totaled approximately $183,000 for the year ended December 31, 2008. During the year ended December 31, 2008, Board members contributed approximately $80,000 to the Foundation.

18. Concentration of revenue and receivables

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

19. Endowment funds

The Foundation's endowment consists of permanently restricted contributions established for a variety of purposes (See Note 13). As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

19. Endowment funds (continued)

Interpretation of the Relevant Law

Management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the 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 consist of donor-restricted endowment funds of $4,107,235 as of December 31, 2008, and does not include promises to give included with permanently restricted net assets.

The change in endowment net assets for the year ended December 31, 2008:

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

19. Endowment funds (continued)

The endowment excludes promises to give which are included in permanently restricted net assets on the Statement of Financial Position. The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA as of December 31, 2008 is $4,103,500.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The loss related to the permanently restricted funds is summarized above.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

20. Prior period adjustment

The Foundation made an adjustment to its January 1, 2008 net assets after determining that property and contributions were incorrectly stated. Management adjusted property to correct land that was recorded twice, and contributions for the cash surrender value of a donated life insurance policy. The adjustment decreased unrestricted net assets by $313,171, increased temporarily restricted net assets by $110,421, and decreased total net assets by $202,750.

805 King Farm Boulevard
Suite 300
Rockville, Maryland 20850
301.231.6200 **Main**
301.231.7630 **Fax**

Independent Auditor's Report on Other Financial Information

Board of Directors
Young America's Foundation
Washington, D.C.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on page 21 provides additional analysis which is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Aronson & Company

Rockville, Maryland
April 6, 2010

Young America's Foundation

Schedule of Functional Expenses

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

See Independent Auditor's Report on Other Financial Information.