

YOUNG AMERICA'S FOUNDATION
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2011 AND 2010



Young America's Foundation

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Independent Auditor's Report

805 King Farm Boulevard
Suite 300
Rockville, Maryland 20850

☎ 301.231.6200
☎ 301.231.7630
www.aronsonllc.com
info@aronsonllc.com

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, 2011 and 2010, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Young America's Foundation's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Young America's Foundation** as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rockville, Maryland
June 21, 2012

Young America's Foundation

Statements of Financial Position

<i>December 31,</i>	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 2,241,784	\$ 1,642,462
Investments	1,762,137	1,858,504
Accounts receivable, net	31,500	43,000
Bequests receivable	717,500	220,028
Promises to give	2,884,689	5,031,453
Total current assets	7,637,610	8,795,447
Cash held for long term purposes	100,050	100,000
Restricted cash	382,000	382,000
Investments, net of current portion	12,647,509	10,620,997
Property, buildings and equipment, net	21,384,077	22,017,579
Promises to give, net	2,140,527	3,137,567
Collections	480,695	479,430
Other assets	353,419	323,222
Total assets	\$ 45,125,887	\$ 45,856,242
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,429,577	\$ 1,200,736
Annuities payable	163,834	166,289
Notes payable	265,845	174,806
Total current liabilities	1,859,256	1,541,831
Long-term liabilities		
Notes payable, net of current portion	1,947,452	3,545,056
Annuities payable, net of current portion	644,366	695,564
Total liabilities	4,451,074	5,782,451
Net assets		
Unrestricted	22,666,020	21,381,434
Temporarily restricted	3,882,114	5,186,275
Permanently restricted	14,126,679	13,506,082
Total net assets	40,674,813	40,073,791
Total liabilities and net assets	\$ 45,125,887	\$ 45,856,242

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	2011 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Support and revenue								
Contributions	\$ 10,767,164	\$ 2,585,908	\$ 620,597	\$ 13,973,669	\$ 11,401,351	\$ 3,417,114	\$ 432,491	\$ 15,250,956
Bequests	1,165,825	-	-	1,165,825	1,302,380	-	-	1,302,380
Conference income	130,491	-	-	130,491	58,971	-	-	58,971
Speaker income	378,000	-	-	378,000	415,250	-	-	415,250
List rental income	198,183	-	-	198,183	249,643	-	-	249,643
Publication sales	17,506	-	-	17,506	26,406	-	-	26,406
Gain on interest rate swap	-	-	-	-	23,396	-	-	23,396
Change in value of annuities	-	(65,669)	-	(65,669)	-	(5,000)	-	(5,000)
Rental income	60,267	-	-	60,267	19,750	-	-	19,750
Investment income	91,426	13,080	-	104,506	273,977	1,036,476	-	1,310,453
Other income	37,178	-	-	37,178	64,654	-	-	64,654
Net assets released from restrictions	3,837,480	(3,837,480)	-	-	818,032	(818,032)	-	-
Total support and revenue	16,683,520	(1,304,161)	620,597	15,999,956	14,653,810	3,630,558	432,491	18,716,859
Expenses								
Program services:								
Public information	5,639,719	-	-	5,639,719	6,095,045	-	-	6,095,045
Special projects	7,248,277	-	-	7,248,277	6,227,307	-	-	6,227,307
Total program services	12,887,996	-	-	12,887,996	12,322,352	-	-	12,322,352
Supporting services:								
Fundraising	1,540,736	-	-	1,540,736	1,553,539	-	-	1,553,539
Management and general	970,202	-	-	970,202	938,549	-	-	938,549
Total supporting services	2,510,938	-	-	2,510,938	2,492,088	-	-	2,492,088
Total expenses	15,398,934	-	-	15,398,934	14,814,440	-	-	14,814,440
Change in net assets	1,284,586	(1,304,161)	620,597	601,022	(160,630)	3,630,558	432,491	3,902,419
Net assets, beginning of year	21,381,434	5,186,275	13,506,082	40,073,791	21,542,064	1,555,717	13,073,591	36,171,372
Net assets, end of year	\$ 22,666,020	\$ 3,882,114	\$ 14,126,679	\$ 40,674,813	\$ 21,381,434	\$ 5,186,275	\$ 13,506,082	\$ 40,073,791

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>	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 601,022	\$ 3,902,419
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	872,574	860,842
Loss on disposal of property, buildings and equipment	740	-
Bad debt expense	47,373	47,819
Contributed investments	(516,598)	(518,324)
Realized/unrealized gain on interest rate swap	-	(23,396)
Actuarial change in annuities payable	99,908	108,452
Realized and unrealized loss (gain) on investments related to annuities	3,863	(66,169)
Realized and unrealized loss (gain) on investments	510,306	(926,609)
Change in present value discount on promises to give	(65,572)	(88,890)
Receipt of permanently restricted contributions	(2,381,114)	(2,310,000)
(Increase) decrease in:		
Accounts receivable	(35,873)	(62,294)
Bequests receivable	(497,472)	(159,028)
Promises to give	3,209,376	(805,416)
Collections	(1,265)	-
Other assets	(30,197)	(36,834)
Increase (decrease) in:		
Accounts payable and accrued expenses	228,841	273,559
Net cash provided by operating activities	2,045,912	196,131
Cash flows from investing activities		
Change in cash held for long term purposes	(50)	(47,896)
Sales of investments	4,605,953	3,107,673
Purchases of investments	(6,533,669)	(4,588,754)
Purchases of property, buildings and equipment	(239,812)	(190,725)
Net cash used in investing activities	(2,167,578)	(1,719,702)
Cash flows from financing activities		
Proceeds from notes payable	-	3,800,000
Payments on notes payable	(1,506,565)	(3,790,102)
Payment of derivative liability	-	(148,943)
Proceeds from annuities issued	11,077	12,853
Payments of annuities	(164,638)	(167,549)
Restricted cash	-	(382,000)
Receipt of permanently restricted contributions	2,381,114	2,310,000
Net cash provided by financing activities	720,988	1,634,259
Net change in cash and cash equivalents	599,322	110,688
Cash and cash equivalents, beginning of year	1,642,462	1,531,774
Cash and cash equivalents, end of year	\$ 2,241,784	\$ 1,642,462
Supplemental disclosures		
Interest paid	\$ 186,666	\$ 240,223

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

Young America's Foundation

Notes to Financial Statements

1. Organization and significant accounting policies

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

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

The Foundation's program activities include:

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

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

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

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

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

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

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

Young America's Foundation

Notes to Financial Statements

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

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.

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

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

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

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.

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, 2011 and 2010, the allowance for doubtful accounts was \$4,000 and \$6,770, respectively.

Young America's Foundation

Notes to Financial Statements

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

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

Promises to give: Unconditional promises to give are recorded as contributions when received. Amounts expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on promises to give made prior to January 1, 2009, are computed using risk-free interest rates applicable to the years in which the amounts are pledged. The discounts on promises to give made after January 1, 2009, are computed using a discount rate equal to the prevailing local borrowing rate. Amortization of the discount is included in contribution revenue. Management does not believe that any allowance for uncollectible promises to give is necessary.

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

Collections: The Foundation's collections are made up of historical treasures that are held for educational and curatorial purposes. Collections have been recorded as assets at cost, if purchased or at estimated fair value as of the date of contribution, if contributed. Depreciation is not recorded on collections.

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

Annuities payable: The liability for annuities is based on actuarially determined present values considering the income beneficiaries and applicable discount rates based on federal tables. Actuarial adjustments are recognized in the Statements of Activities and Changes in Net Assets for the changes in the value (See Note 8).

Young America's Foundation

Notes to Financial Statements

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

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.

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

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

Advertising: Advertising costs are expensed as incurred. For the years ended December 31, 2011 and 2010, advertising costs totaled \$39,630 and \$74,961, 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.

Young America's Foundation

Notes to Financial Statements

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 in the Internal Revenue Code and applicable regulations of the Commonwealth of Virginia, and is classified as a public charity.

Uncertainty in income taxes: The Foundation evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2011 and 2010, 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 2008 through the current year remain open for examination by tax authorities.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through June 21, 2012, which is the date the financial statements are available to be issued.

2. Investments

The Foundation considers investment return on restricted funds to be unrestricted support if restrictions are met during the fiscal year. The Foundation received donations with respect to charitable gift annuities from various donors (See Note 8). The funds are restricted until the obligations under the annuities have been met.

Investments consisted of the following as of December 31:

	2011	2010
Domestic equity mutual funds	\$ 2,621,205	\$ 3,223,966
Equities	3,141,544	2,530,474
Fixed income mutual funds	6,101,211	3,961,760
Government securities	740,494	828,568
International equity mutual funds	1,588,676	1,699,740
International real estate mutual funds	216,516	234,993
Total investments	\$ 14,409,646	\$ 12,479,501

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

	2011	2010
Investment income:		
Interest and dividends	\$ 662,452	\$ 430,877
Realized and unrealized (losses) gains	(514,169)	992,778
Gross investment income	148,283	1,423,655
Less: Investment income included in change in value of annuities	(43,777)	(113,202)
Total investment income	\$ 104,506	\$ 1,310,453

Young America's Foundation

Notes to Financial Statements

3. Fair value The fair value of investments is as follows:

Fair Value Measurements at Reporting Data Using				
December 31, 2011	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 231,761	\$ -	\$ -	\$ 231,761
Investments:				
Domestic equity mutual funds	\$ 2,621,205	\$ 2,621,205	\$ -	\$ -
Equities	3,141,544	3,141,544	-	-
Fixed income mutual funds	6,101,211	6,101,211	-	-
Government securities	740,494	-	740,494	-
International equity mutual funds	1,588,676	1,588,676	-	-
International real estate mutual funds	216,516	216,516	-	-
Total investments	\$ 14,409,646	\$ 13,669,152	\$ 740,494	\$ -
December 31, 2010				
Beneficial interest in remainder trusts	\$ 256,614	\$ -	\$ -	\$ 256,614
Investments:				
Domestic equity mutual funds	\$ 3,223,966	\$ 3,223,966	\$ -	\$ -
Equities	2,530,474	2,530,474	-	-
Fixed income mutual funds	3,961,760	3,961,760	-	-
Government securities	828,568	-	828,568	-
International equity mutual funds	1,699,740	1,699,740	-	-
International real estate mutual funds	234,993	234,993	-	-
Total investments	\$ 12,479,501	\$ 11,650,933	\$ 828,568	\$ -

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, 2011 and 2010.

Young America's Foundation

Notes to Financial Statements

3. Fair value (continued)

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

The Foundation measured the fair value of certain assets and liabilities using significant unobservable inputs for the years ended December 31, 2011 and 2010, as follows:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Beneficial interest in remainder trusts	2011	2010
Beginning balance	\$ 256,614	\$ 237,046
Unrealized (loss) gain on trusts	(24,853)	19,568
Ending balance	\$ 231,761	\$ 256,614
Derivative liability	2011	2010
Beginning balance	\$ -	\$ (172,339)
Payment of liability	-	148,943
Realized/unrealized gain on interest rate swap	-	23,396
Ending balance	\$ -	\$ -

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

4. Promises to give

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

	2011	2010
Promises to give expected in:		
One year	\$ 2,884,689	\$ 5,031,453
Two to five years	2,231,388	3,252,000
Six or more years	30,000	72,000
Total promises to give	5,146,077	8,355,453
Less: discount	(120,861)	(186,433)
Total promises to give, net	5,025,216	8,169,020
Less: current portion	(2,884,689)	(5,031,453)
Long-term promises to give	\$ 2,140,527	\$ 3,137,567

At December 31, 2011, one donor had a pledge balance outstanding which represented 58% of total promises to give. At December 31, 2010, two donors had pledge balances outstanding which represented 90% of total promises to give.

Young America's Foundation

Notes to Financial Statements

5. Property, buildings and equipment

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

	2011	2010
Land	\$ 6,211,268	\$ 6,211,268
Building and improvements	17,797,396	17,772,809
Furniture and equipment	2,601,977	2,468,495
Total property, building and equipment	26,610,641	26,452,572
Less: Accumulated depreciation	(5,226,564)	(4,434,993)
Property, buildings and equipment, net	\$ 21,384,077	\$ 22,017,579

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

Depreciation expense totaled \$872,574 and \$860,842 for the years ended December 31, 2011 and 2010, respectively.

6. 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.

7. 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 a previous note payable and to eliminate changes in the market interest rates. This liability was paid off in 2010 using funds from a new loan, resulting in a gain of \$23,396 (see Note 9).

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.

The Foundation invests the assets in a financial institution separately from its other investments and considers these investments to be temporarily restricted until the payments to the donor are finished.

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.

Young America's Foundation

Notes to Financial Statements

8. Annuities payable (continued)

Income earned on annuity investments and distributions paid are credited and charged, respectively, against temporarily restricted revenue. For the years ended December 31, 2011 and 2010, contributions related to gift annuities were \$10,171 and \$12,147, respectively. The annuity liability is revalued annually based upon actuarially computed present values.

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

	2011	2010
Investment income	\$ 47,640	\$ 47,033
Realized and unrealized (losses) gains	(3,863)	66,169
Investment fees	(9,538)	(9,750)
Actuarial adjustment	(99,908)	(108,452)
Change in value of annuities	\$ (65,669)	\$ (5,000)

9. Notes payable

Outstanding notes payable are as follows at December 31:

	2011	2010
<p>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 in the headquarters located in Herndon, Virginia and assignment of rents and leases on the property. The carrying value of the Property and the headquarters as of December 31, 2011, is \$4,054,871. The loan bears interest at a rate of 5.85% fixed for the first five years adjusting at five and ten years to the 30 day LIBOR five year equivalent fixed rate with a spread of 250 basis points and a floor rate of 5.85%. Principal and interest are payable monthly based upon a 15 year amortization with a maturity of April 2025. Additionally, the loan contains covenants of a minimum debt service coverage ratio of 1.00 to 1.00 and must maintain deposits with the institution at all times of \$382,000. As of December 31, 2011, the Foundation has satisfied the covenants.</p>	\$ 2,206,416	\$ 3,709,114

Young America's Foundation

Notes to Financial Statements

9. Notes payable (continued)	The Foundation purchased a copier during 2008 with a note payable for five years at 13.67% interest.	\$ 6,881	\$ 10,748
	Total notes payable	2,213,297	3,719,862
	Less: current portion	(265,845)	(174,806)
	Non-current portion	\$ 1,947,452	\$ 3,545,056

Future maturities of the notes payable at December 31, 2011, are as follows:

	2012	\$	265,845
	2013		279,576
	2014		293,778
	2015		311,433
	2016		330,148
	Thereafter		732,517
	Total	\$	2,213,297

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

10. Temporarily restricted net assets	Temporarily restricted net assets are available for the following purposes at December 31:		
		2011	2010
	Program assistance:		
	Wood lecture series	\$ 52,528	\$ 52,528
	Un-appropriated endowment earnings	422,266	760,852
	Time restricted for periods after December 31:		
	Beneficial interests in charitable trusts	231,761	256,614
	Bequests receivable	717,500	100,028
	Gift annuities	712,408	767,316
	Promises to give	1,745,651	3,248,937
	Temporarily restricted net assets	\$ 3,882,114	\$ 5,186,275

Young America's Foundation

Notes to Financial Statements

11. 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:

	2011	2010
High school conference	\$ 1,000,000	\$ 1,000,000
Internships	275,000	275,000
Promises to give – Reagan Ranch	2,999,117	5,040,082
Promises to give – student education	280,448	-
Reagan Ranch endowment	8,526,854	6,363,000
Student education	217,260	-
Scholarships	328,000	328,000
Training seminar	-	-
Yale lecture series	500,000	500,000
Permanently restricted net assets	\$ 14,126,679	\$ 13,506,082

12. 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:

	2011	2010
Time restricted	\$ 3,837,480	\$ 818,032
Net assets released from restrictions	\$ 3,837,480	\$ 818,032

13. Endowment funds The Foundation's endowment consists of permanently restricted contributions established for a variety of purposes (See Note 11). 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.

Young America's Foundation

Notes to Financial Statements

13. 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.

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

December 31, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 760,852	\$ 8,466,000	\$ 9,226,852
Investment return:				
Investment income	-	526,870	-	526,870
Net reduction (realized and unrealized)	-	(513,790)	-	(513,790)
Total investment return	-	13,080	-	13,080
Cash contributions received	-	-	2,381,114	2,381,114
Appropriations of endowment assets for expenditure	-	(351,666)	-	(351,666)
Endowment net assets, end of year	\$ -	\$ 422,266	\$ 10,847,114	\$ 11,269,380

Young America's Foundation

Notes to Financial Statements

13. Endowment funds (continued)

December 31, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 27,333	\$ 6,185,735	\$ 6,213,068
Investment return:				
Investment income	-	283,162	-	283,162
Net appreciation (realized and unrealized)	-	753,314	-	753,314
Total investment return	-	1,036,476	-	1,036,476
Cash contributions received	-	-	2,280,265	2,280,265
Appropriations of endowment assets for expenditure	-	(302,957)	-	(302,957)
Endowment net assets, end of year	\$ -	\$ 760,852	\$ 8,466,000	\$ 9,226,852

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

	2011	2010
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	\$ 10,847,114	\$ 8,466,000
Temporarily restricted net assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	\$ 422,266	\$ 760,852

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, 2011 and 2010, there were no such deficiencies.

Young America's Foundation

Notes to Financial Statements

13. Endowment funds (continued)

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.

14. Concentration of revenue

For the year ended December 31, 2010, one donor contributed 13% of total support and revenue.

15. Allocation of joint costs

During 2011 and 2010, the Foundation incurred joint costs of \$4,480,794 and \$5,169,488, 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:

	2011	2010
Program services	\$ 3,906,456	\$ 4,556,352
Fundraising	574,338	613,136
Total	\$ 4,480,794	\$ 5,169,488

16. Pension plan

The Foundation offers a tax-sheltered 403(b) annuity plan to its employees. All full time employees are eligible for participation six months after employment begins. No contributions were made by the Foundation to the plan in either 2011 or 2010.

Young America's Foundation

Notes to Financial Statements

17. 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, 2011 and 2010, totaled approximately \$12,000 and \$15,000, respectively. Amounts purchased or incurred with these related parties totaled approximately \$85,000 and \$97,000, for the years ended December 31, 2011 and 2010, respectively. During the years ended December 31, 2011 and 2010, Board members contributed approximately \$71,000 and \$87,000, respectively, to the Foundation.



Independent Auditor's Report on Supplementary Information

Board of Directors
Young America's Foundation
Herndon, Virginia

805 King Farm Boulevard
Suite 300
Rockville, Maryland 20850

☎ 301.231.6200
☎ 301.231.7630
www.aronsonllc.com
info@aronsonllc.com

We have audited the financial statements of **Young America's Foundation** as of and for the years ended December 31, 2011 and 2010, and our report thereon dated June 21, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rockville, Maryland
June 21, 2012

Young America's Foundation

Schedule of Functional Expenses

<i>For the Year Ended December 31, 2011</i>	Program Services			Supporting Services			Total
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising	\$ 3,000	\$ 33,498	\$ 36,498	\$ 3,132	\$ -	\$ 3,132	\$ 39,630
Bad debt	-	47,373	47,373	-	-	-	47,373
Bank charges	21,287	405	21,692	3,155	49,291	52,446	74,138
Conferences, banquets and meetings	4,929	905,459	910,388	-	8,035	8,035	918,423
Consulting and outsourcing	1,559,971	386,372	1,946,343	179,031	59,152	238,183	2,184,526
Depreciation	174,515	462,464	636,979	157,063	78,532	235,595	872,574
Equipment and maintenance	67,191	240,654	307,845	-	4,213	4,213	312,058
Honorarium	-	727,210	727,210	-	-	-	727,210
Insurance	9,837	117,573	127,410	-	19,044	19,044	146,454
Interest	589	182,718	183,307	-	3,359	3,359	186,666
List rental	199,571	-	199,571	31,364	-	31,364	230,935
Maintenance and preservation - Reagan Ranch	-	109,236	109,236	-	-	-	109,236
Other taxes and fees	-	9,002	9,002	-	5,808	5,808	14,810
Payroll taxes	43,297	116,526	159,823	39,468	20,586	60,054	219,877
Penalties	86	781	867	-	1,217	1,217	2,084
Personal property tax	2,659	54	2,713	-	1,454	1,454	4,167
Postage and shipping	1,265,799	74,742	1,340,541	212,695	1,212	213,907	1,554,448
Printing	1,012,605	166,827	1,179,432	131,987	3,306	135,293	1,314,725
Professional fees	209,892	124,404	334,296	7,252	159,257	166,509	500,805
Publications	40,830	201,506	242,336	704	6,952	7,656	249,992
Real estate tax	3,285	1,222	4,507	-	13,599	13,599	18,106
Rent and occupancy	20,125	215,227	235,352	-	58,783	58,783	294,135
Salaries and benefits	839,793	2,202,061	3,041,854	753,061	389,596	1,142,657	4,184,511
Scholarships	-	192,625	192,625	-	-	-	192,625
Supplies and miscellaneous	112,218	101,866	214,084	17,003	78,078	95,081	309,165
Telecommunications	7,858	43,428	51,286	4,821	2,508	7,329	58,615
Travel	40,382	585,044	625,426	-	6,220	6,220	631,646
Total expenses	\$ 5,639,719	\$ 7,248,277	\$ 12,887,996	\$ 1,540,736	\$ 970,202	\$ 2,510,938	\$ 15,398,934

See Independent Auditor's Report on Supplementary Information.

Young America's Foundation

Schedule of Functional Expenses

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

See Independent Auditor's Report on Supplementary Information.