

**YOUNG AMERICA'S FOUNDATION**  
**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**



# Young America's Foundation

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## Independent Auditor's Report

Board of Directors  
**Young America's Foundation**  
Herndon, Virginia

We have audited the accompanying financial statements of **Young America's Foundation** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2013 and 2012, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

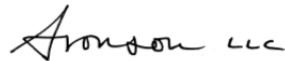
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## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Young America's Foundation** as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland  
June 26, 2014

# Young America's Foundation

## Statements of Financial Position

<i>December 31,</i>	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,283,181	\$ 4,387,575
Investments	1,983,912	1,787,227
Accounts receivable, net	437,619	149,645
Bequests receivable, net	200,000	150,000
Promises to give	976,917	516,614
<b>Total current assets</b>	<b>6,881,629</b>	<b>6,991,061</b>
Cash held for long term purposes	99,999	1,100,000
Restricted cash	382,000	382,000
Investments, net of current portion	17,236,121	15,318,586
Certificate of deposit	55,778	-
Property, buildings and equipment, net	22,000,862	20,682,261
Bequests receivable, net	4,835,053	4,835,053
Promises to give, net	640,072	795,348
Collections	483,395	482,195
Other assets	782,506	356,886
<b>Total assets</b>	<b>\$ 53,397,415</b>	<b>\$ 50,943,390</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Notes payable	\$ 314,387	\$ 299,016
Accounts payable and accrued expenses	1,041,405	1,553,011
Annuities payable	124,662	116,664
<b>Total current liabilities</b>	<b>1,480,454</b>	<b>1,968,691</b>
Notes payable, net of current portion	1,010,768	1,322,065
Annuities payable, net of current portion	566,051	525,186
<b>Total liabilities</b>	<b>3,057,273</b>	<b>3,815,942</b>
<b>Net assets</b>		
Unrestricted	26,619,666	24,669,909
Temporarily restricted	9,430,737	8,288,820
Permanently restricted	14,289,739	14,168,719
<b>Total net assets</b>	<b>50,340,142</b>	<b>47,127,448</b>
<b>Total liabilities and net assets</b>	<b>\$ 53,397,415</b>	<b>\$ 50,943,390</b>

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	2013 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
<b>Support and revenue</b>								
Contributions	\$ 13,963,569	\$ 1,176,803	\$ 121,020	\$ 15,261,392	\$ 12,382,090	\$ 92,845	\$ 42,040	\$ 12,516,975
Bequests	1,194,660	-	-	1,194,660	3,267,955	4,835,053	-	8,103,008
Conference income	133,490	-	-	133,490	141,849	-	-	141,849
Speaker income	380,763	-	-	380,763	497,490	-	-	497,490
List rental income	167,434	-	-	167,434	179,328	-	-	179,328
Publication sales	23,933	-	-	23,933	17,329	-	-	17,329
Change in value of annuities	-	28,885	-	28,885	-	76,735	-	76,735
Rental income	44,831	-	-	44,831	34,238	-	-	34,238
Investment income	1,301,005	908,322	-	2,209,327	874,020	579,089	-	1,453,109
Other income	148,288	-	-	148,288	13,431	-	-	13,431
Net assets released from restrictions	972,093	(972,093)	-	-	1,177,016	(1,177,016)	-	-
<b>Total support and revenue</b>	<b>18,330,066</b>	<b>1,141,917</b>	<b>121,020</b>	<b>19,593,003</b>	<b>18,584,746</b>	<b>4,406,706</b>	<b>42,040</b>	<b>23,033,492</b>
<b>Expenses</b>								
Program services:								
Public information	5,741,875	-	-	5,741,875	6,160,199	-	-	6,160,199
Special projects	7,702,477	-	-	7,702,477	7,717,175	-	-	7,717,175
Total program services	13,444,352	-	-	13,444,352	13,877,374	-	-	13,877,374
Supporting services:								
Fundraising	1,642,088	-	-	1,642,088	1,646,878	-	-	1,646,878
Management and general	1,293,869	-	-	1,293,869	1,056,605	-	-	1,056,605
Total supporting services	2,935,957	-	-	2,935,957	2,703,483	-	-	2,703,483
<b>Total expenses</b>	<b>16,380,309</b>	<b>-</b>	<b>-</b>	<b>16,380,309</b>	<b>16,580,857</b>	<b>-</b>	<b>-</b>	<b>16,580,857</b>
<b>Change in net assets</b>	<b>1,949,757</b>	<b>1,141,917</b>	<b>121,020</b>	<b>3,212,694</b>	<b>2,003,889</b>	<b>4,406,706</b>	<b>42,040</b>	<b>6,452,635</b>
<b>Net assets, beginning of year</b>	<b>24,669,909</b>	<b>8,288,820</b>	<b>14,168,719</b>	<b>47,127,448</b>	<b>22,666,020</b>	<b>3,882,114</b>	<b>14,126,679</b>	<b>40,674,813</b>
<b>Net assets, end of year</b>	<b>\$ 26,619,666</b>	<b>\$ 9,430,737</b>	<b>\$ 14,289,739</b>	<b>\$ 50,340,142</b>	<b>\$ 24,669,909</b>	<b>\$ 8,288,820</b>	<b>\$ 14,168,719</b>	<b>\$ 47,127,448</b>

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>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,212,694	\$ 6,452,635
<b>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities</b>		
Depreciation	849,983	889,248
Bad debt expense	38,145	16,198
Contributed investments	-	(1,097,150)
Contributions recognized from charitable gift annuities	(82,858)	(2,173)
Actuarial change in annuities payable	61,673	(12,804)
Realized and unrealized gain on investments related to annuities	(59,975)	(31,958)
Realized and unrealized gain on investments	(1,438,793)	(836,532)
Change in present value discount on promises to give	(18,306)	(68,444)
Receipt of contributions restricted for long-term purposes	(2,000,000)	-
Receipt of permanently restricted contributions	(217,199)	(3,210,511)
<b>(Increase) decrease in:</b>		
Accounts receivable, net	(326,119)	(134,343)
Bequests receivable, net	(50,000)	(4,267,553)
Promises to give, net	(286,721)	3,781,698
Collections	(1,200)	(1,500)
Other assets	(425,620)	(3,467)
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	(511,606)	123,434
<b>Net cash (used) provided by operating activities</b>	<b>(1,255,902)</b>	<b>1,596,778</b>
<b>Cash flows from investing activities</b>		
Change in cash held for long term purposes	1,000,001	(999,950)
Sales of investments	15,257,174	4,955,344
Purchases of investments	(15,872,626)	(5,685,871)
Purchases of certificate of deposit	(55,778)	-
Purchases of property, buildings and equipment	(2,168,584)	(187,432)
<b>Net cash used in investing activities</b>	<b>(1,839,813)</b>	<b>(1,917,909)</b>
<b>Cash flows from financing activities</b>		
Payments on notes payable	(295,926)	(592,216)
Proceeds from annuities issued	187,000	10,000
Payments of annuities	(116,952)	(161,373)
Receipt of contributions restricted for long-term purposes	2,000,000	-
Receipt of permanently restricted contributions	217,199	3,210,511
<b>Net cash provided by financing activities</b>	<b>1,991,321</b>	<b>2,466,922</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,104,394)</b>	<b>2,145,791</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,387,575</b>	<b>2,241,784</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,283,181</b>	<b>\$ 4,387,575</b>
<b>Supplemental disclosures</b>		
Interest paid	\$ 89,912	\$ 125,601

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

# Young America's Foundation

## Notes to Financial Statements

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### 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, Young Americans for Freedom student chapters, the National Journalism Center, and the Reagan Ranch program. The public information category provides educational and informational materials through the Foundation's media and communications activities including its web site, newsletters and mailings to the Foundation's target audience in support of its programs.

The Foundation's program activities include:

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

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

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

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

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

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



# Young America's Foundation

## Notes to Financial Statements

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**Temporarily restricted net assets** – net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. When a donor restriction expires, that is, when the time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

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

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

**Cash and cash equivalents:** For financial statement purposes, the Foundation considers all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash equivalents. At times, the Foundation's cash may exceed federally insured limits. The Foundation does not believe that this results in any significant credit risk. Cash held for long term purposes includes cash received with donor-imposed restrictions that limit their use to long-term purposes within temporarily or permanently restricted net assets.

**Certificate of deposit:** The certificate of deposit totaled \$55,778 and zero as of December 31, 2013 and 2012, respectively. It bears interest at a rate of 0.2% and has a maturity of one year, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**Investments:** Investments are reported at fair value and contributions of marketable securities are recorded at their fair value at the date of the donation. Non-current investments include those received with donor-imposed restrictions that limit their use to long-term purposes as temporarily or permanently restricted investments. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Statement of Activities and Changes in Net Assets. Dividends and interest are recognized as earned.

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

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

# Young America's Foundation

## Notes to Financial Statements

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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 and amounts received postmarked by, but not deposited until after December 31. The Foundation uses the allowance method to account for amounts, if any, of its accounts receivable which are considered uncollectible. The Foundation bases its assessment for the allowance for doubtful accounts on historical losses and current economic conditions. Accounts receivable are determined to be past due on a contractual term of 30 days. As of December 31, 2013 and 2012, the allowance for doubtful accounts was \$4,000.

**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.

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

**Property, buildings and equipment:** Property, buildings and equipment are stated at cost and are depreciated using the straight-line method over an estimated useful life of three to five years for equipment and thirty to forty years for property. Property, building and equipment additions, and improvements acquired at a cost greater than \$1,000 are capitalized. Contributed property and equipment is recorded at fair value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**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.

# Young America's Foundation

## Notes to Financial Statements

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**Beneficial interest in remainder trusts:** The Foundation is named as the beneficiary in remainder trusts held by third parties. The trusts, which are invested in cash equivalents, equity and fixed income funds, and other assets, are measured at the present value of the future distributions expected to be received over the term of the agreement. The discount rates used in the present value calculation are between 7% and 7.5%. The trusts are included in other assets 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).

**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.

# Young America's Foundation

## Notes to Financial Statements

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**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, 2013 and 2012, advertising costs totaled \$111,878 and \$96,112, respectively.

**Use of accounting estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Tax status:** The Internal Revenue Service has recognized Young America's Foundation as a Section 501(c)(3) not-for-profit corporation exempt from federal income taxes as provided in the Internal Revenue Code. The Foundation is classified as a public charity.

**Uncertainty in income taxes:** The Foundation evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2013 and 2012, 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 2010 through the current year remain open for examination by tax authorities.

**Reclassification:** Certain items previously reported in the 2012 Schedule of Functional Expenses have been reclassified to conform to the current financial statement presentation.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through June 26, 2014, which was the date the financial statements were 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.

# Young America's Foundation

## Notes to Financial Statements

Investments consisted of the following as of December 31:

	<b>2013</b>	2012
Domestic equity mutual funds	\$ 7,117,254	\$ 3,142,964
Equities	<b>2,090,785</b>	4,397,314
Fixed income mutual funds	<b>7,540,598</b>	7,104,212
Government securities	<b>323,094</b>	681,496
International equity mutual funds	<b>2,148,302</b>	1,519,285
International real estate mutual funds	-	260,542
<b>Total investments</b>	<b>\$ 19,220,033</b>	\$ 17,105,813

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

	<b>2013</b>	2012
Investment income:		
Interest and dividends	\$ 810,724	\$ 658,068
Realized and unrealized gains	<b>1,498,768</b>	868,490
Gross investment income	<b>2,309,492</b>	1,526,558
Less: Investment income included in change in value of annuities	<b>(100,165)</b>	(73,449)
<b>Total investment income</b>	<b>\$ 2,209,327</b>	\$ 1,453,109

### 3. Fair value

The fair value of investments is as follows:

#### Fair Value Measurements at Reporting Data Using

<b>December 31, 2013</b>	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 307,055	\$ -	\$ -	\$ 307,055
<b>Investments:</b>				
Domestic equity mutual funds	\$ 7,117,254	\$ 7,117,254	\$ -	\$ -
Equities	<b>2,090,785</b>	<b>2,090,785</b>	-	-
Fixed income mutual funds	<b>7,540,598</b>	<b>7,540,598</b>	-	-
Government securities	<b>323,094</b>	-	<b>323,094</b>	-
International equity mutual funds	<b>2,148,302</b>	<b>2,148,302</b>	-	-
International real estate mutual funds	-	-	-	-
<b>Total investments</b>	<b>\$ 19,220,033</b>	<b>\$ 18,896,939</b>	<b>\$ 323,094</b>	<b>\$ -</b>

## Young America's Foundation

### Notes to Financial Statements

December 31, 2012	Total	Level 1	Level 2	Level 3
Beneficial interest in remainder trusts	\$ 257,700	\$ -	\$ -	\$ 257,700
<b>Investments:</b>				
Domestic equity mutual funds	\$ 3,142,964	\$ 3,142,964	\$ -	\$ -
Equities	4,397,314	4,397,314	-	-
Fixed income mutual funds	7,104,212	7,104,212	-	-
Government securities	681,496	-	681,496	-
International equity mutual funds	1,519,285	1,519,285	-	-
International real estate mutual funds	260,542	260,542	-	-
<b>Total investments</b>	<b>\$ 17,105,813</b>	<b>\$ 16,424,317</b>	<b>\$ 681,496</b>	<b>\$ -</b>

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, 2013 and 2012.

Level 3 beneficial interests in remainder trusts, which are invested in cash equivalents, equity and fixed income funds, and other assets are measured at the present value of the future distributions expected to be received over the term of the agreement, discounted at rates between 7% and 7.5%, which reflect current market conditions, adjusted for the life expectancy of the lead beneficiary using IRS actuarial tables.

The Foundation measured the fair value of certain assets and liabilities using significant unobservable inputs for the years ended December 31, 2013 and 2012, as follows:

#### Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Beneficial interest in remainder trusts	2013	2012
Beginning balance	\$ 257,700	\$ 231,761
Unrealized gain on trusts	49,355	25,939
<b>Ending balance</b>	<b>\$ 307,055</b>	<b>\$ 257,700</b>

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

## Young America's Foundation

### Notes to Financial Statements

#### 4. Promises to give

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

	2013	2012
Promises to give expected in:		
Less than one year	\$ 976,917	\$ 516,615
One to five years	654,183	817,765
five or more years	20,000	30,000
Total promises to give	1,651,100	1,364,380
Less: discount	(34,111)	(52,418)
Total promises to give, net	1,616,989	1,311,962
Less: current portion	(976,917)	(516,614)
<b>Long-term promises to give</b>	<b>\$ 640,072</b>	<b>\$ 795,348</b>

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

As of December 31, 2013, four donors had pledge balances outstanding which represented 72% of total promises to give. As of December 31, 2012, three donors had pledge balances outstanding which represented 70% of total promises to give.

#### 5. Bequests receivable

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

	2013	2012
Promises to give expected in:		
Less than one year	\$ 200,000	\$ 150,000
One to five years	5,000,000	5,000,000
Total promises to give	5,200,000	5,150,000
Less: discount	(164,947)	(164,947)
Total promises to give, net	5,035,053	4,985,053
Less: current portion	(200,000)	(150,000)
<b>Long-term promises to give</b>	<b>\$ 4,835,053</b>	<b>\$ 4,835,053</b>

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

As of December 31, 2013, one donor had a bequest receivable balance outstanding which represented 96% of total bequest receivables. As of December 31, 2012, one donor had a bequest receivable balance outstanding which represented 97% of total bequest receivables.

# Young America's Foundation

## Notes to Financial Statements

**6. Property, buildings and equipment**

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

	2013	2012
Land and improvements	\$ 8,313,066	\$ 6,303,035
Building and improvements	17,806,948	17,835,103
Furniture and equipment	2,589,383	2,627,388
Total property, building and equipment	28,709,397	26,765,526
Less: Accumulated depreciation	(6,708,535)	(6,083,265)
<b>Property, buildings and equipment, net</b>	<b>\$ 22,000,862</b>	<b>\$ 20,682,261</b>

Among other properties, the Foundation owns and maintains a 688 acre ranch in California, previously owned by President and Mrs. Ronald Reagan. The Foundation considers this ranch to be a historic treasure. Property, buildings and equipment include the cost of the Reagan Ranch.

Depreciation expense totaled \$849,983 and \$889,248 for the years ended December 31, 2013 and 2012, respectively.

**7. Collections**

The Foundation holds collections for educational purposes such as exhibition to the public or public research, and not for financial gain. These items are protected, cared for and preserved in keeping with standard practice. The Foundation has not adopted a policy that requires revenue from the sale of any collections to be reinvested in other collections. The Foundation has no plans to sell these collections.

**8. Annuities payable**

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

The Foundation invests the assets in a financial institution separately from its other investments and considers these investments to be temporarily restricted until the beneficiary's death. The Foundation maintains a separate brokerage account specifically for charitable gift annuities governed by the laws of California. The balance of this account as of December 31, 2013 and 2012, totaled \$342,208, and \$706,731, respectively. Total assets separately maintained as cash and investments relating to charitable gift annuities totaled \$1,214,930 and \$1,433,166, as of December 31, 2013 and 2012, respectively.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as temporarily restricted contribution revenue at the date of the gift, since the gift portion is restricted until the obligations under the annuity have been met.



# Young America's Foundation

## Notes to Financial Statements

Income earned on annuity investments and distributions paid are credited and charged, respectively, against temporarily restricted revenue. For the years ended December 31, 2013 and 2012, contributions related to gift annuities were \$82,858 and \$2,173, respectively. The annuity liability is adjusted annually based upon actuarially computed present values.

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

	<b>2013</b>	2012
Investment income	\$ 40,190	\$ 41,491
Realized and unrealized gains	59,975	31,958
Investment fees	(9,607)	(9,518)
Actuarial adjustment	(61,673)	12,804
<b>Change in value of annuities</b>	<b>\$ 28,885</b>	<b>\$ 76,735</b>

### 9. Notes payable

Outstanding notes payable are as follows at December 31:

	<b>2013</b>	2012
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; currently collateralized by a security interest in a four-story commercial real estate property owned by the Foundation in Santa Barbara, California (the Property) and assignment of rents and leases on the property, known as the Reagan Ranch Center. The carrying value of the Property as of December 31, 2013, is \$13,683,827. 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 (included as restricted cash on the accompanying Statements of Financial Position). As of December 31, 2013 and 2012, the Foundation has satisfied the covenants.	<b>\$ 1,325,155</b>	\$ 1,618,630

# Young America's Foundation

## Notes to Financial Statements

The Foundation purchased a copier during 2008 with a note payable for five years at 13.67% interest.

	-	2,451
Total notes payable	<b>1,325,155</b>	1,621,081
Less: current portion	<b>(314,387)</b>	(299,016)

<b>Non-current portion</b>	<b>\$ 1,010,768</b>	<b>\$ 1,322,065</b>
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Future maturities of the notes payable at December 31, 2013, are as follows:

2014		\$	<b>314,387</b>
2015			<b>333,280</b>
2016			<b>353,308</b>
2017			<b>324,180</b>
<b>Total</b>		<b>\$</b>	<b>1,325,155</b>

**10. Temporarily restricted net assets**

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

	<b>2013</b>	<b>2012</b>
Program assistance:		
Wood lecture series	\$ <b>52,528</b>	\$ 52,528
Un-appropriated endowment earnings	<b>1,909,677</b>	1,001,355
Time restricted for periods after December 31:		
Beneficial interests in charitable trusts	<b>307,055</b>	257,700
Bequests receivable	<b>5,035,053</b>	4,985,053
Gift annuities	<b>524,218</b>	791,316
Promises to give	<b>1,602,206</b>	1,200,868
<b>Temporarily restricted net assets</b>	<b>\$ 9,430,737</b>	<b>\$ 8,288,820</b>

# 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:

	<u>2013</u>	<u>2012</u>
High school conference	\$ 1,000,000	\$ 1,000,000
Internships	275,000	275,000
Promises to give – Reagan Ranch	14,916	27,829
Promises to give – student education	-	83,265
Reagan Ranch endowment	11,553,062	11,537,889
Student education	518,761	416,736
Scholarships	428,000	328,000
Yale lecture series	500,000	500,000
<b>Permanently restricted net assets</b>	<b>\$ 14,289,739</b>	<b>\$ 14,168,719</b>

### 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:

	<u>2013</u>	<u>2012</u>
Time restricted	\$ 972,093	\$ 1,177,016

# Young America's Foundation

## Notes to Financial Statements

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### 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.

#### **Interpretation of the Relevant Law**

Management of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the organization and donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and appreciation of investments;
6. Other resources of the organization;
7. The investment policies of the organization.

# Young America's Foundation

## Notes to Financial Statements

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

<b>December 31, 2013</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,001,355	\$ 14,057,624	\$ 15,058,979
Investment return:				
Investment income	-	683,445	-	683,445
Net appreciation (realized and unrealized)	-	1,212,976	-	1,212,976
Total investment return	-	1,896,421	-	1,896,421
Cash contributions received	-	-	217,199	217,199
Appropriations of endowment assets for expenditure	-	(988,099)	-	(988,099)
Endowment net assets, end of year	\$ -	\$ 1,909,677	\$ 14,274,823	\$ 16,184,500
<b>December 31, 2012</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 422,266	\$ 10,847,114	\$ 11,269,380
Investment return:				
Investment income	-	546,639	-	546,639
Net reduction (realized and unrealized)	-	588,690	-	588,690
Total investment return	-	1,135,329	-	1,135,329
Cash contributions received	-	-	3,210,510	3,210,510
Appropriations of endowment assets for expenditure	-	(556,240)	-	(556,240)
Endowment net assets, end of year	\$ -	\$ 1,001,355	\$ 14,057,624	\$ 15,058,979

# Young America's Foundation

## Notes to Financial Statements

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

	2013	2012
<b>Permanently restricted net assets</b>		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 14,274,823	\$ 14,057,624
<b>Temporarily restricted net assets</b>		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	\$ 1,909,677	\$ 1,001,355

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, 2013 and 2012, there were no such deficiencies.

### Return Objectives and Risk Parameters

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

### Strategies Employed for Achieving Objectives

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

# Young America's Foundation

## Notes to Financial Statements

### Spending Policy and How the Investment Objectives Relate to Spending Policy

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

**14. Letter of credit** A letter of credit for \$55,778 has been issued on behalf of the Foundation by a bank in Virginia. The beneficiary is a business which requires it as part of a leasing agreement. The letter of credit expires December 19, 2014, with automatic extensions of one year until May 19, 2021. The letter of credit is secured by the certificate of deposit in the same amount.

**15. Concentration of revenue** For the year ended December 31, 2013, one donor contributed 12% of total support and revenue. For the year ended December 31, 2012, one donor pledged 21% of total support and revenue.

**16. Allocation of joint costs** During 2013 and 2012, the Foundation incurred joint costs of \$4,639,236 and \$5,029,517, 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:

	2013	2012
Program services	\$ 3,976,922	\$ 4,309,957
Fundraising	662,314	719,560
<b>Total</b>	<b>\$ 4,639,236</b>	<b>\$ 5,029,517</b>

**17. Future minimum lease payments** The Foundation entered into a lease agreement in June 2011 for office space in Washington, DC for the National Journalism Center program. The lease contained a tenant allowance and rent abatement. The lease expires July 31, 2014.

The Foundation entered into a lease agreement in December 2013 for new headquarters office space in Reston, Virginia. The lease contained a tenant allowance and rent abatement. The lease will commence upon completion of the build-out in 2014. The lease expires 87 months after commencement.

# Young America's Foundation

## Notes to Financial Statements

Minimum future rental payments under the operating lease as of December 31, 2013, in the aggregate are as follows:

Year ending December 31,	Amount
2014	\$ 203,145
2015	679,379
2016	699,761
2017	720,753
2018	742,376
Thereafter	2,157,647
<b>Total</b>	<b>\$ 5,203,061</b>

Rent expense for the years ended December 31, 2013 and 2012, totaled \$63,961 and \$59,067, respectively.

### 18. Pension plan

The Foundation offers a tax-sheltered 403(b) annuity plan to its employees. All full time employees are eligible for participation on the first of the month following the date of employment. No contributions were made by the Foundation to the plan in either 2013 or 2012.

### 19. 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, 2013 and 2012, totaled approximately \$1,000 and \$6,000, respectively. Amounts purchased or incurred with these related parties totaled approximately \$153,000 and \$98,000, for the years ended December 31, 2013 and 2012, respectively. During the years ended December 31, 2013 and 2012, Board members contributed approximately \$23,000 and \$66,000, respectively, to the Foundation.





## Independent Auditor's Report on Supplementary Information

Board of Directors  
**Young America's Foundation**  
Herndon, Virginia

We have audited the financial statements of **Young America's Foundation** as of and for the years ended December 31, 2013 and 2012, and our report thereon dated June 26, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on pages 24 and 25 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 26, 2014

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## Young America's Foundation

### Schedule of Functional Expenses

<i>For the Year Ended December 31, 2013</i>	Program Services			Supporting Services			<b>Total</b>
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	
Advertising	\$ 3,274	\$ 77,305	\$ 80,579	\$ 31,299	\$ -	\$ 31,299	\$ 111,878
Conferences, banquets & meetings	14,915	968,983	983,898	-	31,005	31,005	1,014,903
Consulting & Outsourcing	815,103	319,693	1,134,796	114,992	77,208	192,200	1,326,996
Depreciation	169,899	416,561	586,460	144,515	119,008	263,523	849,983
Educational materials	49,143	256,273	305,416	-	7,832	7,832	313,248
Equipment & Maintenance	34,895	336,445	371,340	-	7,458	7,458	378,798
Honorarium	-	875,800	875,800	-	-	-	875,800
Insurance	6,946	117,310	124,256	3,809	17,869	21,678	145,934
Interest	26	91,565	91,591	-	124	124	91,715
Intern sponsorships	-	228,350	228,350	-	-	-	228,350
List rental	247,696	-	247,696	47,870	-	47,870	295,566
Maintenance & Preservation	-	209,488	209,488	-	-	-	209,488
Other expenses	58,329	118,890	177,219	9,975	76,677	86,652	263,871
Payroll taxes	49,291	121,158	170,449	41,160	29,651	70,811	241,260
Postage and shipping	1,624,137	84,644	1,708,781	278,846	2,795	281,641	1,990,422
Printing	1,437,743	115,059	1,552,802	199,035	416	199,451	1,752,253
Professional fees	140,758	224,390	365,148	7,027	219,291	226,318	591,466
Rent & occupancy	18,078	258,232	276,310	-	63,649	63,649	339,959
Salaries & benefits	888,711	2,129,540	3,018,251	743,757	586,055	1,329,812	4,348,063
Supplies	105,986	129,345	235,331	19,663	44,432	64,095	299,426
Travel	76,945	623,446	700,391	140	10,399	10,539	710,930
<b>Total expenses</b>	<b>\$ 5,741,875</b>	<b>\$ 7,702,477</b>	<b>\$ 13,444,352</b>	<b>\$ 1,642,088</b>	<b>\$ 1,293,869</b>	<b>\$ 2,935,957</b>	<b>\$ 16,380,309</b>

See Independent Auditors Report on Supplementary Information

## Young America's Foundation

### Schedule of Functional Expenses

<i>For the Year Ended December 31, 2012</i>	Program Services			Supporting Services			
	Public Information	Special Projects	Total	Fundraising	Management and General	Total	Total
Advertising	\$ 29,755	\$ 66,357	\$ 96,112	\$ -	\$ -	\$ -	\$ 96,112
Conferences, banquets & meetings	17,957	995,093	1,013,050	-	20,251	20,251	1,033,301
Consulting & Outsourcing	893,765	399,033	1,292,798	113,821	64,788	178,609	1,471,407
Depreciation	177,752	471,371	649,123	151,190	88,935	240,125	889,248
Educational materials	52,254	176,723	228,977	-	4,411	4,411	233,388
Equipment & Maintenance	43,051	294,619	337,670	-	7,266	7,266	344,936
Honorarium	1,000	1,129,200	1,130,200	-	3,000	3,000	1,133,200
Insurance	2,266	149,991	152,257	-	17,726	17,726	169,983
Interest	67	131,116	131,183	-	672	672	131,855
Intern sponsorships	-	198,525	198,525	-	-	-	198,525
List rental	299,396	-	299,396	51,310	-	51,310	350,706
Maintenance & Preservation	-	98,171	98,171	-	-	-	98,171
Other expenses	51,934	80,370	132,304	7,087	71,381	78,468	210,772
Payroll taxes	46,598	122,051	168,649	40,091	22,923	63,014	231,663
Postage and shipping	1,816,299	73,525	1,889,824	328,208	101	328,309	2,218,133
Printing	1,531,290	129,371	1,660,661	208,179	54	208,233	1,868,894
Professional fees	205,604	140,055	345,659	8,277	178,817	187,094	532,753
Rent & occupancy	18,672	208,801	227,473	-	59,571	59,571	287,044
Salaries & benefits	852,342	2,207,027	3,059,369	724,178	458,301	1,182,479	4,241,848
Supplies	66,122	88,991	155,113	14,537	52,153	66,690	221,803
Travel	54,075	556,785	610,860	-	6,255	6,255	617,115
<b>Total expenses</b>	<b>\$ 6,160,199</b>	<b>\$ 7,717,175</b>	<b>\$ 13,877,374</b>	<b>\$ 1,646,878</b>	<b>\$ 1,056,605</b>	<b>\$ 2,703,483</b>	<b>\$ 16,580,857</b>

See Independent Auditor's Report on Supplementary Information.