

THE YOUNG AMERICANS, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

**WITH INDEPENDENT AUDITORS'
REPORT THEREON**

THE YOUNG AMERICANS, INC.

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A FINANCIAL PERSPECTIVE OF THE YOUNG AMERICANS PAST, PRESENT, AND FUTURE

MISSION STATEMENT

The Young Americans, Inc. is a tax exempt 501(c)(3) non-profit, charitable and educational corporation dedicated to the promotion of understanding and goodwill among people throughout the world through music, dance, performance, academic education and cultural interaction among Student Members and their audiences.

It is the intention of The Young Americans organization that Student Members be a mixture of both religious and non-religious beliefs. Student Members will also have differing political persuasions. The Young Americans organization, however, does not endorse any religious affiliation or political agenda, nor does it have any shareholders to satisfy.

Student Members are accepted into the organization based upon their talent and their interest in helping other students throughout America and the world to attain self-confidence, self-esteem, and respect for others through music, dance, and performance.

The Student Members of The Young Americans are never paid as performers for the organization. As such, their participation is intended to be educational and not intended to be an occupation. The Young Americans are simply a group of talented young people who attend college level classes, sing, dance, teach others, learn from others, and entertain throughout the world.

THE BOARD OF DIRECTORS

The Young Americans was founded in 1962 by Milton C. Anderson. The group was the first choir to put movement to the music it sang. In fact, the show choir movement began through The Young Americans influencing the teachers of the nation when they performed on the leading television variety shows of the 1960s and 1970s. The Young Americans, Inc., formed in 1992, is governed by a Board of Directors.

Many members of the Board of Directors are former members of The Young Americans. They now serve as fiduciaries who are responsible for furthering the purposes and principles set forth in the Mission Statement. Each Director brings to the organization his or her own life experiences and expertise, including: finance, law, business management, education, communications, performance, and entertainment production.

HISTORY

1960s

Bing Crosby was the first to have The Young Americans on his NBC-TV specials. What followed was over 40 years of continued success with appearances on Johnny Carson's Tonight Show and The Ed Sullivan Show on CBS-TV out of New York City. Red Skelton had the group perform "Singin' in the Rain" at CBS Television City in Hollywood, where they flooded the entire studio with real rain for the show (they've never done that for any other performer!). The group performed with Julie Andrews at ABC, Dean Martin at NBC, Andy Williams, Jimmy Durante, George Burns

A FINANCIAL PERSPECTIVE OF THE YOUNG AMERICANS
PAST, PRESENT, AND FUTURE
(Continued)

and many others. Judy Garland performed a full-length concert with The Young Americans at the Greek Theatre in Los Angeles. In this legendary theater, the group also performed with Johnny Mathis and Henry Mancini.

The Young Americans won the Academy Award (Oscar) in 1969 for its full-length documentary with Columbia Motion Pictures. In 1967, the group performed in the Academy Awards Show singing the award-winning song "Born Free." The Young Americans recorded five major albums released by such companies as RCA-Victor and ABC Records, and produced its own hour-long TV special for ABC television, sponsored by Corning Glass.

1970s-1980s

The Young Americans traveled in the Pacific Rim countries of Japan, Thailand, the Philippines, Singapore, Hong Kong, Australia, and Korea, performing for full houses in every venue in which they performed. For three consecutive summers, the group performed nightly on a stage beside the Mediterranean Sea on the French Riviera. During this time, they also performed ten National Tours for Columbia Artists, including: The Young Americans in Concert I, II, III, IV and V, the Gershwin Special, To Richard Rodgers with Love, National Touring Companies of Oklahoma!, The Music Man, West Side Story and Around the World in 80 Days, an original musical.

Throughout the years, The Young Americans have performed for six American Presidents on separate occasions and performed for Kings and Princesses throughout the world. The Young Americans performed at the foot of the Washington Monument in Washington, D.C. on a special stage that was built just for this event during the summer of our nation's Bicentennial Celebrations in 1976. The group performed every night that summer for over 5,000 people each evening.

The Young Americans performed in the finest theaters and arenas throughout this nation and the world, including Madison Square Garden in NYC, the Hollywood Bowl in LA, the Cow Palace in San Francisco, Victory Place in Canada and premiere performances on the big stages in Disneyland and Disney World, at the LA Coliseum and MacArthur Place in Chicago, as well as packaged theatrical performances for Chevrolet and IBM. Pepsi-Cola, Coca-Cola, Trans-American Insurance, Amway, Toyota, Frito-Lay and countless other corporate functions have taken the group to locales from Hawaii to Florida, New York to Los Angeles, and Detroit to Denver.

1990s

In 1992, The Young Americans launched its International Music Outreach Tours. Throughout the 17 year history of this program, the group has visited educational institutions across the world to work directly with the youth in those communities. This program has been such a great success that The Young Americans now produces two national and up to six international Music Outreach Tours each year. More than simply a workshop in singing and dancing, through music The Young Americans encourage workshop participants to build confidence and self-worth, while also helping to strengthen music programs in schools. Through these tours The Young Americans have traveled to over 45 states in the United States, and to Canada, Japan, China, Hong Kong, South Korea,

A FINANCIAL PERSPECTIVE OF THE YOUNG AMERICANS
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(Continued)

Germany, the Netherlands, Russia, Estonia, Latvia, Lithuania, Luxembourg, Poland, England, Ireland, Scotland, Wales, New Zealand, Australia, Sweden, Spain, Gibraltar, and the Ukraine.

2000s

To further the organization's goals of reaching the youth of the world through music and dance, in 2002 The Young Americans established The Young Americans College of the Performing Arts. The Young Americans College is established as a conservatory style program of study for students who wish to combine intensive performing arts training with experiences that broaden understanding of the global community.

The College exists to:

- provide its students an innovative and creative learning environment that fosters artistic, intellectual, and personal growth;
- develop an institution that is recognized internationally for its ability to train and encourage artistic growth;
- provide courses of study that are of the highest standards and of maximum benefit to its students;
- offer courses of study that ignite the student's desire to learn and equips them with the skills needed for a lifelong commitment to learning; and
- assemble a diverse faculty with extensive professional experience in their fields and who are dedicated to sharing their knowledge and guiding student learning.

The College now offers classes and/or training to Student Members in a variety of disciplines related to the Performing Arts and Performing Arts education. Formal training includes courses in performance, voice, dance, sound design, sound engineering, lighting design, costume design and construction, production management, and dramatic and extemporaneous acting. In addition, all Student Members are required to take other courses, including teaching methods, and child development and psychology, prior to participating in Music Outreach Tours.

Fundraising and marketing programs continue to be created which provide ways for The Young Americans to bring the Music Outreach program to underserved youth in the inner-cities both domestically and internationally. The Young Americans' core belief is that music is an essential part in everyone's life. The artistic directors of The Young Americans and its Board of Directors are committed to developing relationships with alumni, friends, foundations and corporate sponsors to enhance and expand the Music Outreach Tours and establish other innovative programs that will build understanding among the diverse people of this world through music and performance.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Young Americans, Inc.
Corona, California

We have audited the accompanying financial statements of The Young Americans, Inc. (“the Organization”), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities 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.

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ 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 qualified audit opinion.

The Board of Directors
The Young Americans, Inc.

Basis for Qualified Opinion

As more fully described in Notes 2 and 11 to the financial statements, accounting principles generally accepted in the United States of America require that the actuarial method used in the computation of pension costs should be the benefit/years of service method. At June 30, 2014 and 2013, the Organization has recorded the projected benefit obligation as determined by the fractional rule based on years of service method. Quantification of the effect on the financial statements of the preceding practice is not practicable. In addition, the Organization's financial statements do not include the disclosures required for a defined benefit plan. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Young Americans, Inc. as of June 30, 2014 and 2013, 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.

Link, Murrel & Company, LLP

A handwritten signature in cursive script that reads "Link, Murrel & Co., LLP".

Irvine, California
December 18, 2014

THE YOUNG AMERICANS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 761,978	\$ 627,279
Receivables:		
Outreach tours, net	154,043	165,903
Students, net	40,114	54,419
Note receivable - current portion	837	-
Inventory	95,162	61,125
Prepaid expenses	94,068	128,431
Total current assets	1,146,202	1,037,157
Noncurrent Assets:		
Property and equipment, net	332,195	508,565
Deposits	31,529	32,330
Cash surrender value of life insurance	25,367	10,975
Note receivable, net of current portion	8,424	-
Total noncurrent assets	397,515	551,870
Total Assets	\$ 1,543,717	\$ 1,589,027

See accompanying notes.

THE YOUNG AMERICANS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

LIABILITIES AND NET ASSETS

	2014	2013
Current Liabilities:		
Current portion of note payable	\$ 40,456	\$ 36,905
Accounts payable	134,966	260,085
Student/member deposits	68,608	78,184
Deferred revenue	240,892	178,153
Deferred rent	-	23,631
Pension plan liability	76,698	305,757
Total current liabilities	561,620	882,715
Long-Term Liabilities:		
Note payable, net of current portion	35,210	69,976
Postretirement benefit obligation	38,004	22,278
Total long-term liabilities	73,214	92,254
Total liabilities	634,834	974,969
Net Assets:		
Unrestricted		
Undesignated	425,547	104,863
Net investment in property and equipment	332,195	508,565
Temporarily restricted	151,141	630
Total net assets	908,883	614,058
Total Liabilities and Net Assets	\$ 1,543,717	\$ 1,589,027

See accompanying notes.

THE YOUNG AMERICANS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Unrestricted Net Assets:		
Revenues and Support:		
Concerts, outreach tours and dinner theater, net of cost of sales of \$2,689 and \$13,010 in 2014 and 2013, respectively	\$ 2,620,005	\$ 2,261,618
Merchandise sales, net of cost of sales of \$169,632 and \$135,389 in 2014 and 2013, respectively	162,267	78,344
Student/member fees:		
Tuition, net of discounts of \$1,300 and \$15,102 in 2014 and 2013, respectively	1,198,583	966,579
Student housing, net of expenses of \$611,080 and \$532,554 in 2014 and 2013, respectively	(42,529)	5,520
Contributions	461,671	97,235
Interest income	3,800	5,404
Other income	47,700	90,170
Loss on foreign currency translation	(1,078)	(4,113)
Loss on sale of assets	(4,758)	(3,597)
Reduction on pension plan liability	99,059	14,943
Total revenues and support	4,544,720	3,512,103
Net Assets Released From Restrictions	400	775
Total unrestricted revenues and support	4,545,120	3,512,878
Expenses:		
Program services:		
Tours and shows	2,741,231	2,735,608
College	996,440	945,395
Supporting services:		
General and administrative	604,781	558,248
Fundraising	58,354	77,665
Total expenses	4,400,806	4,316,916
Increase (Decrease) in Unrestricted Net Assets	144,314	(804,038)
Temporarily Restricted Net Assets:		
Contributions	150,911	630
Net assets released from restrictions	(400)	(775)
Increase (Decrease) in Temporarily Restricted Net Assets	150,511	(145)
Increase (Decrease) in Net Assets	294,825	(804,183)
Net Assets, Beginning of Year	614,058	1,418,241
Net Assets, End of Year	\$ 908,883	\$ 614,058

See accompanying notes.

THE YOUNG AMERICANS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 294,825	\$ (804,183)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	278,328	259,915
Bad debts	125,494	54,957
Loss on sale of assets	4,758	3,597
Unrealized gain on pension plan assets	(51,769)	(14,943)
Increase in cash surrender value of life insurance	(14,392)	(5,767)
Deferred rent	(23,631)	(5,630)
Increase (decrease) in pension plan liability	(47,290)	221,467
Increase in postretirement benefit obligation	15,726	15,726
Inventory write-down	-	13,010
Changes in assets and liabilities:		
(Increases) decreases in:		
Receivables	(100,407)	(126,438)
Note receivable	(9,261)	-
Inventory	(34,037)	18,455
Prepaid expenses	34,363	(51,024)
Deposits	801	8,550
Increases (decreases) in:		
Accounts payable	(125,119)	36,933
Student/member deposits and deferred revenue	53,163	105,568
Pension plan liability	(130,000)	(93,300)
Total adjustments	<u>(23,273)</u>	<u>441,076</u>
Net cash used in provided by (used in) operating activities	<u>271,552</u>	<u>(363,107)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(108,716)	(107,556)
Proceeds from sale of property and equipment	<u>2,000</u>	<u>-</u>
Net cash used in investing activities	<u>\$ (106,716)</u>	<u>\$ (107,556)</u>

See accompanying notes.

THE YOUNG AMERICANS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows from Financing Activities:		
Proceeds from long-term debt	\$ 82,324	\$ -
Principal payments on note payable	(113,539)	(34,478)
Net cash used in financing activities	(31,215)	(34,478)
Net Increase (Decrease) in Cash and Cash Equivalents	133,621	(505,141)
Effect of Exchange Rates on Cash	1,078	4,113
Beginning Cash and Cash Equivalents	627,279	1,128,307
Ending Cash and Cash Equivalents	\$ 761,978	\$ 627,279
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 4,786	\$ 7,683
Income taxes	\$ -	\$ -

See accompanying notes.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. NATURE OF ORGANIZATION

The New Young Americans, Inc. was founded in 1962 as a California nonprofit public benefit corporation. In April 2008, the organization changed its name to The Young Americans, Inc. (the Organization). The purpose of the Organization is to use music and American youth to promote understanding among the citizens of our nation and to present a positive image of American youth to the world. The Organization's support comes primarily from registration fees, admission fees, merchandise sales, student/member fees and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2014 and 2013, there were no permanently restricted net assets.

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 statement and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fair Value Measurements

The carrying value of cash and cash equivalents, receivables, prepaid expenses, inventory, accounts payable, student/member deposits, deferred revenue, deferred rent and pension plan liability approximate their respective fair values due to their short-term maturities.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Based upon rates currently available to the Organization for loans with similar terms and average maturities, the fair value of the note receivable and note payable approximate the carrying values.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. This concentration in credit risk is managed by maintaining all deposits in high quality financial institutions.

Receivables

The Organization provides an allowance for doubtful accounts that is based upon review of outstanding receivables. At June 30, 2014 and 2013, an allowance of approximately \$115,000 and \$41,000, respectively, has been made in the financial statements for accounts deemed to be uncollectible.

Inventory

Inventory, principally t-shirts and sweatshirts, is stated at the lower of cost or market on a specific identification basis.

Property and Equipment

Property and equipment are stated at cost at the date purchased, or estimated fair value at the date of the donation, if donated. The Organization follows the practice of capitalizing all expenditures for individual items in excess of \$500. Audio and visual equipment, automobiles, musical instruments, software and tour assets are depreciated using the straight-line method over five years. Computers and other equipment and office furniture and equipment are depreciated using the straight-line method over five to seven years. Leasehold improvements are depreciated using the straight-line method over the shorter of fifteen years or the life of the lease.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Construction in progress is money spent on the Organization's new campus in Boyne, Michigan. The Organization will begin depreciating when the construction is completed.

Long-lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the years ended June 30, 2014 and 2013.

Deferred Revenue

Deferred revenue consists of college registration and tuition fees, summer camp registration fees and merchandise sales. Deferred revenue results from the Organization recognizing registration and tuition revenue in the period in which the related instruction is performed. Accordingly, registration and tuition fees received for the next term are deferred until the instruction commences. Deferred revenue also results from the Organization recognizing merchandise sales when the product is shipped. Accordingly, sales of merchandise that have not been shipped are deferred.

Deferred Rent

The Organization entered into an operating lease in May 2011. On June 9, 2014, the Organization signed a four year lease amendment with Chiuminata Trust with the option of two consecutive one-year options to extend. The deferred rent is amortized over the life of the lease, which is thirty-seven months, using the straight-line method. At June 30, 2014, there was no deferred rent. At June 30, 2013, the current portion was \$23,631.

Defined Benefit Plan

The Organization's actuarial valuation for its defined benefit plan uses a method that is different than the method required by generally accepted accounting principles ("GAAP"). GAAP requires employers to recognize the funded status of a benefit plan in the Statement of Financial Position and recognize changes in the funded status through the Statement of Activities. GAAP requires that the actuarial method used in the computation of pension costs to be the benefit/years of service method. At June 30, 2014 and 2013, the Organization has recorded the projected benefit obligation as determined by the fractional rule based on years of service method, excluding years of service prior to July 1, 2011. The Organization also has not included the disclosures required by GAAP in these financial statements.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postretirement Benefit Obligations

In 2012, the Organization adopted a postretirement benefit plan which covers the Executive/Artistic Director. The Organization is obligated to pay pension benefits on or after the Executive/Artistic Director's seventieth birthday for eight-four months. If the Executive/Artistic Director dies before retirement, but prior to receiving eighty-four monthly installments, the unpaid balance of the payments due will continue to be paid by the Organization to the Executive/Artistic Director's beneficiary. The Organization is recording the net present value of the future obligations of this benefit based on future payments. Annual payments will be amortized against the net present value with the remainder charged to interest expense.

Compensated Absences

The Organization allows full-time employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick leave are expensed as incurred. There will be no payments for compensated absences upon separation from the Organization.

Revenues and Support

The Organization receives the majority of its revenue from workshop registration fees, convention shows, student/member fees, and the sale of tickets to shows and a dinner theater. Merchandise is also sold at these events. Student/member fees consist of tuition, rent and utilities from students/members. Student/member fees are net of scholarships of approximately \$54,000 and \$62,000 for the years ended June 30, 2014 and 2013, respectively. The majority of the Organization's contributions are from individuals.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The major programs of the Organization are as follows:

- Outreach Tours – The students/members travel to "host schools" and put on a three-day workshop for elementary, junior high and high school level students (the "Participants"). The students/members teach the Participants song and dance numbers. At the conclusion of the workshop, the students/members and the Participants perform together in a show.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

- College Program ó The Organization operates an unaccredited college for its student members. Formed as a specialty school, the college blends the concepts of theoretical learning with practical application, concentrated in the performing arts. The two-year program of study culminates in the awarding of an Associates of Arts Degree. The students/members pay tuition, rent and utilities to the Organization to participate in the college based upon their level of course enrollment.
- Dinner Theater ó The students/members perform at Boyne Highlands in Michigan. Dinner is served before the show and the members work as servers.
- Christmas Concert ó Shows are performed at the La Mirada, California community theater.

Income Taxes

The Organization is a California nonprofit corporation which has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and the State Revenue and Tax Code Section 23701(d). Accordingly, no provision of income taxes has been made in the accompanying financial statements.

The Organization follows the accounting for uncertainty in income taxes recognized in a nonpublic entity's financial statements. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. There was no impact to the Organization's financial statements as a result of these provisions.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2011 through 2013 are subject to examination by the IRS, generally for three years after they were filed. The Organization's California Form 199, *California Exempt Organization Annual Information Return*, for the years ended June 30, 2010 through 2013 are subject to examination by the California Franchise Tax Board.

Advertising

The Organization follows the policy of charging the costs of advertising to expenses as incurred. Advertising expense for the years ended June 30, 2014 and 2013 was approximately \$73,000 and \$63,000, respectively.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation

The Organization schedules outreach tours in several foreign countries (e.g. Germany, Russia, Ireland, England, Scotland and Wales). Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Foreign earnings represent approximately 34% and 40% of total revenues and support for the years ended June 30, 2014 and 2013, respectively.

The financial position and results of operations of the Organization are measured using the local currency as the functional currency. Foreign currency denominated assets and liabilities are translated into U.S. dollars at the exchange rate existing at the balance sheet date, and income and expense items are translated at the average exchange rate for the period. The transaction gain or loss has been reported separately in the accompanying statements of activities.

During the years ended June 30, 2014 and 2013, the Organization recorded a net transaction loss of \$1,078 and \$4,113, respectively.

Recently Adopted Accounting Standards

In May 2011, the Financial Accounting Standards Board (FASB) issued an accounting standards update that clarifies and amends the existing fair value measurement and disclosure requirements. This guidance became effective prospectively for interim and annual periods beginning after December 15, 2011. The Organization adopted the provisions of the guidance in 2012. The adoption did not have a material impact on the Organization's financial statements.

In October 2012, the FASB issued an accounting standards update that amends the standards for preparing the statement of cash flows. This guidance requires the Organization to classify cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any Organization-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes. If the donor restricted the use to long-term purposes, those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the Organization. This guidance will be effective

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards (Continued)

prospectively for fiscal years and interim periods within those years, beginning after June 15, 2013, which will be the Organization's fiscal year 2014. The Organization adopted the provisions of the guidance in 2013. The adoption of the guidance did not have a material impact on the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 18, 2014, the date the financial statements were available to be issued.

3. NOTE RECEIVABLE

The Organization loaned an employee \$10,000 during the year ended June 30, 2014. The loan has a ten-year term, and bears interest at 4.00% per annum, with scheduled monthly payments of principal and interest. At June 30, 2014, the current portion and long-term portion of the loan were \$837 and \$8,424, respectively.

Year Ending June 30,

2015	\$ 837
2016	895
2017	932
2018	970
2019	1,009
Thereafter	<u>4,618</u>
	<u>\$ 9,261</u>

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Audio and visual equipment	\$ 205,124	\$ 203,065
Automobiles	31,263	46,511
Computers and other equipment	62,044	63,605
Leasehold improvements	469,112	459,677

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

4. PROPERTY AND EQUIPMENT (Continued)

Musical instruments	23,656	23,656
Office furniture and equipment	82,513	74,760
Software	14,130	11,550
Tour assets	<u>295,673</u>	<u>283,439</u>
	1,183,515	1,166,263
Less accumulated depreciation	(890,480)	(657,698)
Construction in progress	<u>39,160</u>	<u>-</u>
Total	<u>\$ 332,195</u>	<u>\$ 508,565</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was approximately \$278,000 and \$260,000, respectively.

5. CASH SURRENDER VALUE OF LIFE INSURANCE

The Organization is the owner and the beneficiary of a variable universal life insurance policy on the Executive Director/Artistic Director with a death benefit in the amount of \$500,000. The total cash surrender value, net of surrender charges, at June 30, 2014 and 2013 was \$25,367 and \$10,975, respectively.

6. NOTE PAYABLE

In April 2012, the Organization financed the purchase of an asset through Independence Bank. On April 15, 2014, the Organization refinanced the loan with Grandpoint Bank. The loan agreement requires twenty-four monthly payments of principal and interest at a rate of 4.75%. The loan is secured by the asset and matures in April 2016. At June 30, 2014, the carrying amount of the asset was \$75,666.

The maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 40,456
2016	<u>35,210</u>
	<u>\$ 75,666</u>

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

7. COMMITMENTS

The Organization entered into a one-year operating lease for an office building at 1128 Olympic Drive in Corona, California with a monthly payment of \$5,470, expiring July 31, 2009. In July 2009, this lease was extended for an additional two years and in June 2011, this lease was further extended for an additional three years. In May 2014, the lease was further extended for an additional four years with monthly payments ranging from \$5,000 to \$5,450, expiring June 30, 2018 with a twelve-month renewal option. This lease also requires a monthly association fee of \$200.

The Organization also entered into an operating lease in January 2009 for an office building at 1132 Olympic Drive in Corona. The monthly payments were waived for three months from March through May 2009 and for February 2011. In May 2011, this lease was amended to include another office building at 1112 Olympic Drive in Corona, California. The term was extended for an additional three years beginning in July 2011 and further extended in June 2014 for an additional four years with monthly payments ranging from \$12,450 to \$14,000, expiring June 30, 2018 with two consecutive twelve-month renewal options. This lease also requires a monthly association fee of \$400.

The future minimum lease payments, including common area maintenance of association fees, under these non-cancelable leases are as follows:

<u>Year Ending June 30,</u>	<u>Base Rent</u>	<u>CAM/Assoc.</u>	<u>Total</u>
2015	\$ 209,400	\$ 7,200	\$ 216,000
2016	216,000	7,200	223,200
2017	224,400	7,200	231,600
2018	<u>233,400</u>	<u>7,200</u>	<u>240,600</u>
	<u>\$ 883,200</u>	<u>\$ 28,800</u>	<u>\$ 912,000</u>

Occupancy expense, including maintenance charges and association fees, for the years ended June 30, 2014 and 2013 was approximately \$177,000 and \$184,000, respectively.

8. RELATED PARTY TRANSACTIONS

Certain board members were compensated as chief financial officer and office administrator. A board member's spouse was compensated as a voice teacher, an associate tour director, and newsletter writer. The Organization loaned an employee \$10,000 during the year ended June 30, 2014, see Note 3 for the terms and five-year maturity schedule.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

9. RELATED ENTITY

The Foundation for the Young Americans (the "Foundation") was established in July 2012 to help support the Organization by raising funds for scholarships. Two board members are also on the board of the Foundation. The Director of Administrative Services for The College of the Young Americans Performing Arts is on the board of the Foundation. However, they do not represent a majority voting interest. While the Organization has an economic interest in the Foundation, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Organization.

For the year ended June 30, 2014, the Foundation contributed \$10,000 to the Organization for scholarships. In May 2013, the Organization presented a show benefiting the Foundation. For the year ended June 30, 2013, the Organization recorded ticket revenue of approximately \$2,700 and expenses of approximately \$5,100. Contributions received above the ticket price benefitted the Foundation and totaled approximately \$17,400.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions restricted for a specific purpose. The donor-imposed restrictions for the contributions are expected to be satisfied in the following year.

At June 30, 2014, cash of \$100,000 is restricted for scholarships and cash of \$51,141 was restricted for music outreach, equipment and tutoring. At June 30, 2013, cash of \$630 was restricted for summer camps and tutoring.

11. RETIREMENT PLANS

Defined Contribution Plan

Effective July 1, 2011, the Organization adopted a profit sharing 401(k) plan (the "Plan"). The plan covers all employees on September 5, 2011 who are over twenty-one years old. Employees hired after September 5, 2011 who are over twenty-one years old and have completed a year of service are eligible to participate in the Plan. A year of service is defined as a consecutive twelve month period with at least 1,000 hours of service beginning on the date of hire. The Organization may match certain contributions and may elect to make a discretionary contribution. This Plan was referred to as a "safe harbor 401(k) plan" through December 31, 2013. A contribution equal to 3% of the participant's compensation for the entire Plan year was made to the Plan regardless of whether or not the participant contributes to the Plan.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

11. RETIREMENT PLANS (Continued)

Defined Contribution Plan (Continued)

The Plan was amended in November 2013. Effective January 1, 2014, the Organization elected to make a matching contribution equal to 100% of salary deferrals up to a maximum of 3% of salary. Matching and safe harbor non-elective contribution expense was approximately \$28,000 and \$30,000 for the years ended June 30, 2014 and 2013, respectively.

Defined Benefit Plan

Effective July 1, 2011, the Organization adopted a defined benefit pension plan (the "Pension Plan") covering certain employees. Pension benefits are based on years of service, excluding years of service prior to July 1, 2011, and the employee's average compensation for the three highest consecutive years of participation. The Organization's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. At June 30, 2014 and 2013, the pension plan liability is \$76,698 and \$305,757, respectively, based on the actuarial method prescribed by the Pension Protection Act of 2006. Effective July 1, 2013, the Organization amended this Pension Plan to freeze the benefits.

Accounting principles generally accepted in the United States of America requires that the actuarial method used in the computation of pension costs should be the benefit/years of service method. At June 30, 2014 and 2013, the Organization has recorded the projected benefit obligation as determined by the fractional rule based on years of service method, excluding years of service prior to July 1, 2011. The Organization's financial statements also do not include the disclosures required for a defined benefit plan.

The Pension Plan assets are invested in pooled separate accounts. The pooled separate accounts involve the pooling of assets of two or more unrelated plans at an insurance company. The fair value of the pooled separate accounts is based on the underlying unit value and is not traded on an active market. The fair value (Level 2) of the pooled separate accounts at June 30, 2014 and 2013 is \$458,106 and \$276,337, respectively.

Postretirement Benefit Obligations

In February 2012, the Organization agreed to pay the Executive/Artistic Director certain post-retirement benefit payments over a period of eighty-four months. The Organization has agreed to pay monthly payments of \$3,000 on or after the Executive/Artistic Director's seventieth birthday. Generally accepted accounting principles require the Organization to record a liability for these obligations to equal the present value of the benefits to be paid. The present value of the benefits is computed using a discount rate.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

11. RETIREMENT PLANS (Continued)

Postretirement Benefit Obligations (Continued)

At June 30, 2014 and 2013, using a discount rate of 5.75%, the accrued postretirement benefits liability as reflected on the Statements of Financial Position was \$38,004 and \$22,278, respectively. The adjustment results in a decrease to income in the current year.

12. CONCENTRATION OF REVENUE AND SUPPORT

The Organization receives approximately 58% of its contributions from a board member, including family members.

13. CONTRIBUTED SERVICES

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's program services. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition as contributed services.

14. RECLASSIFICATIONS

Certain figures for the year ended June 30, 2013 have been reclassified to conform to the year ended June 30, 2014 presentation.

SUPPLEMENTARY INFORMATION

Link, Murrel & Company, LLP

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
The Young Americans, Inc.
Corona, California

We have audited the financial statements of The Young Americans, Inc. as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated December 18, 2014, which contained a qualified opinion on those financial statements for not using the required actuarial method for computing pension costs and for the omission of the required disclosure. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information in Schedules I and II is presented for purposes of additional analysis and is 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, except for the effects on the pension expense of the qualified opinion on the 2014 and 2013 financial statements as described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Link, Murrel & Company, LLP

Link, Murrel & Co., LLP

Irvine, California
December 18, 2014

THE YOUNG AMERICANS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	Program Services			Supporting Services		Totals	
	Tours/Shows	College	Total	General and Administrative	Fundraising	2014	2013
Advertising	\$ 66,155	\$ 4,115	\$ 70,270	\$ 2,895	\$ -	\$ 73,165	\$ 62,810
Bad debts	4,661	120,833	125,494	-	-	125,494	54,957
Bank charges	5,137	447	5,584	3,263	-	8,847	12,912
Costumes	48,861	-	48,861	72	-	48,933	25,680
Depreciation	71,564	160,524	232,088	38,080	8,160	278,328	259,915
Dues and subscriptions	4,609	432	5,041	495	-	5,536	5,711
Equipment rental	72,926	23,757	96,683	1,175	-	97,858	119,422
Insurance	106,888	35,123	142,011	72,700	-	214,711	182,694
Interest	4,786	-	4,786	-	-	4,786	7,683
Legal and accounting	-	-	-	26,054	-	26,054	34,435
Music supplies	982	228	1,210	-	-	1,210	975
Occupancy	76,600	72,750	149,350	24,053	3,367	176,770	184,090
Other	80,857	6,527	87,384	862	283	88,529	77,694
Outside services	292,257	29,917	322,174	3,775	750	326,699	306,791
Payroll tax	48,433	37,013	85,446	31,290	3,610	120,346	115,059
Pension	17,833	9,829	27,662	15,866	-	43,528	308,020
Postage	16,275	1,805	18,080	41	32	18,153	14,197
Printing	7,400	4,634	12,034	-	-	12,034	13,109
Props	3,406	-	3,406	-	-	3,406	4,861
Salaries	562,943	430,208	993,151	363,689	41,964	1,398,804	1,286,431
Sets	12,112	-	12,112	-	-	12,112	19,780
Space rental	114,189	-	114,189	-	-	114,189	114,007
Supplies	16,427	4,604	21,031	3,236	-	24,267	16,228
Tax and licenses	5,887	11,586	17,473	-	25	17,498	1,563
Telephone	43,085	1,162	44,247	445	-	44,692	34,698
Tour expenses	103,090	-	103,090	-	163	103,253	21,894
Travel	939,971	3,941	943,912	14,216	-	958,128	976,285
Utilities	13,897	37,005	50,902	2,574	-	53,476	55,015
Total Expenses	\$ 2,741,231	\$ 996,440	\$ 3,737,671	\$ 604,781	\$ 58,354	\$ 4,400,806	\$ 4,316,916

THE YOUNG AMERICANS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services			Supporting Services		
	Tours/Shows	College	Total	General and		Totals
				Administrative	Fundraising	
Advertising	\$ 37,559	\$ 435	\$ 37,994	\$ -	\$ 24,816	\$ 62,810
Bad debts	4,480	50,477	54,957	-	-	54,957
Bank charges	9,790	1,162	10,952	1,960	-	12,912
Costumes	25,680	-	25,680	-	-	25,680
Depreciation	67,579	148,149	215,728	36,388	7,799	259,915
Dues and subscriptions	5,641	70	5,711	-	-	5,711
Equipment rental	92,350	27,072	119,422	-	-	119,422
Insurance	92,772	29,766	122,538	60,156	-	182,694
Interest	7,683	-	7,683	-	-	7,683
Legal and accounting	34,435	-	34,435	-	-	34,435
Music supplies	975	-	975	-	-	975
Occupancy	74,543	86,269	160,812	23,278	-	184,090
Other	73,943	2,425	76,368	78	1,248	77,694
Outside services	268,431	35,260	303,691	3,100	-	306,791
Payroll tax	43,506	38,636	82,142	29,512	3,405	115,059
Pension	161,676	79,663	241,339	65,697	984	308,020
Postage	12,181	2,016	14,197	-	-	14,197
Printing	9,894	2,800	12,694	415	-	13,109
Props	4,861	-	4,861	-	-	4,861
Salaries	517,719	395,647	913,366	334,472	38,593	1,286,431
Sets	19,780	-	19,780	-	-	19,780
Space rental	113,336	671	114,007	-	-	114,007
Supplies	13,403	2,461	15,864	170	194	16,228
Tax and licenses	1,463	35	1,498	-	65	1,563
Telephone	34,534	164	34,698	-	-	34,698
Tour expenses	21,825	69	21,894	-	-	21,894
Travel	969,297	4,688	973,985	1,739	561	976,285
Utilities	16,272	37,460	53,732	1,283	-	55,015
Total Expenses	\$ 2,735,608	\$ 945,395	\$ 3,681,003	\$ 558,248	\$ 77,665	\$ 4,316,916