

THE YOUNG AMERICANS, INC.

FINANCIAL STATEMENTS WITH

SUPPLEMENTARY INFORMATION

JUNE 30, 2015

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

The Past

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 and many others. Judy Garland performed a full-length concert with The Young Americans at the

A FINANCIAL PERSPECTIVE OF THE YOUNG AMERICANS
PAST, PRESENT, AND FUTURE
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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, Germany, the Netherlands, Russia, Estonia, Latvia, Lithuania, Luxembourg, Poland, England, Ireland, Scotland, Wales, New Zealand, Australia, Sweden, Spain, Gibraltar, and the Ukraine.

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

To further the organization's goals of reaching the youth of the world through music and dance, 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 offers an Associate of Arts, Performance degree with options for emphasis in Vocal Performance, Acting or Dance. The Young Americans College of the Performing Arts is approved by the California Bureau of Private Postsecondary Education as a degree granting institution and is seeking accreditation through a regional accrediting commission approved by the US Department of Education.

The "Turn Up The Music Campaign," launched in 2013, is bringing a renewed sense of energy and passion to the Music Outreach programs. The campaign has given over \$650,000 to schools across the USA to support performing arts education.

The Future

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, increase scholarship support for our College division, and establish other innovative programs that will build understanding among the diverse people of this world through music, education, and performance.

With the increasing demands of the organization's various outreach programs on a global level, The Young Americans plans to expand its Music Outreach Tours by adding additional tours and taking this valuable program to new locations in the world. In addition, because of the tremendous success of its recently launched Summer Camp program, The Young Americans plans to expand this program by adding new towns to its Summer Camp tours. Further, the organization looks forward to expanding its Music Outreach program to large arenas across the USA, to impact the lives of

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thousands of more young people. As part of this effort, The Young Americans will be actively exploring collaborations with regional and national corporations to develop potential sponsorship opportunities.

The Young Americans recently began a fundraising campaign to raise funds to build camp facilities, such as cabins and a multi-purpose building, in the Harbor Springs, Michigan, to host overnight summer camp programs. Boyne Highlands Resort plans to donate the land for this project. The Young Americans is also looking for funding assistance to acquire land in the Corona, California area to locate a permanent campus, which will meet all of organization's future facilities requirements, such as student housing, classrooms, rehearsal studios, and administrative offices.

Link, Murrel & Company, LLP

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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, 2015, 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, 2015, 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 matters 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, 2015, 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

Link, Murrel & Co., LLP

Irvine, California
October 26, 2015

THE YOUNG AMERICANS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current Assets:

Cash and cash equivalents:	
Unrestricted	\$ 382,488
Temporarily restricted	<u>200,142</u>
	582,630
Receivables:	
Performances, net	201,103
Students, net	32,537
Contributions	122,000
Note receivable - current portion	2,133
Inventory	92,392
Prepaid expenses	<u>94,537</u>
Total current assets	1,127,332

Noncurrent Assets:

Property and equipment, net	409,501
Deposits	30,547
Cash surrender value of life insurance	22,092
Note receivable, net of current portion	<u>5,521</u>
Total noncurrent assets	467,661
Total Assets	<u>\$ 1,594,993</u>

THE YOUNG AMERICANS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

LIABILITIES AND NET ASSETS

Current Liabilities:

Note payable	\$ 35,302
Accounts payable	170,830
Student/member deposits	95,122
Deferred revenue	210,939
Pension plan liability	<u>69,536</u>

Total current liabilities 581,729

Long-Term Liabilities:

Postretirement benefit obligation	<u>53,729</u>
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Total liabilities 635,458

Net Assets:

Unrestricted:	
Undesignated	349,892
Net investment in property and equipment	409,501
Temporarily restricted	<u>200,142</u>

Total net assets 959,535

Total Liabilities and Net Assets \$ 1,594,993

THE YOUNG AMERICANS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Unrestricted Net Assets:

Revenues and Other Support:

Performances	\$ 3,029,859
Merchandise sales, net of cost of sales of \$135,494	172,038
College:	
Tuition, net of discounts of \$2,485	1,105,633
Student housing, net of expenses of \$553,316	(20,160)
Contributions	607,105
Other income	<u>11,713</u>
 Total unrestricted revenues	4,906,188
 Net Assets Released From Restrictions	<u>122,579</u>
 Total unrestricted revenues and other support	5,028,767
 Expenses:	
Program services:	
Performances	3,077,651
College	914,292
Supporting services:	
General and administrative	922,380
Fundraising	<u>112,793</u>
 Total expenses	<u>5,027,116</u>
 Increase in unrestricted net assets	1,651

Temporarily Restricted Net Assets:

Contributions	171,580
Net assets released from restrictions	<u>(122,579)</u>
 Increase in temporarily restricted net assets	<u>49,001</u>
 Increase in Net Assets	50,652
 Net Assets, Beginning of Year	<u>908,883</u>
 Net Assets, End of Year	<u>\$ 959,535</u>

THE YOUNG AMERICANS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:

Increase in net assets	\$ 50,652
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	127,873
Bad debts	81,716
Loss on sale of assets	1,200
Increase in cash surrender value of life insurance	3,275
Increase in postretirement benefit obligation	15,725
Changes in assets and liabilities:	
(Increases) decreases in:	
Receivables	(196,652)
Inventory	2,770
Prepaid expenses	(469)
Deposits	982
Increases (decreases) in:	
Accounts payable	35,864
Student/member deposits and deferred revenue	(3,439)
Pension plan liability	<u>(7,162)</u>
Total adjustments	<u>61,683</u>
Net cash provided by operating activities	<u>112,335</u>

Cash Flows from Investing Activities:

Purchases of property and equipment	(206,379)
Collections from note receivable	<u>1,607</u>
Net cash used in investing activities	<u>\$ (204,772)</u>

THE YOUNG AMERICANS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Financing Activities:

Principal payments on note payable	\$ (40,364)
Net cash used in financing activities	<u>(40,364)</u>
Net Decrease in Cash and Cash Equivalents	(132,801)
Effect of Exchange Rates on Cash	(46,547)
Beginning Cash and Cash Equivalents	<u>761,978</u>
Ending Cash and Cash Equivalents	<u>\$ 582,630</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$ 2,898
Income taxes	<u>\$ -</u>

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. NATURE OF ORGANIZATION

The Young Americans, Inc. (öthe Organizationö) was founded in 1992 as a California nonprofit public benefit corporation. 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, 2015, 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, accounts payable, student/member deposits, deferred revenue, 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, 2015

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 Statement 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 for performances and students that is based upon review of outstanding receivables. At June 30, 2015, an allowance of approximately \$90,000 has been made in the financial statements for accounts deemed to be uncollectible.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was recorded at June 30, 2015.

Inventory

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

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, vehicles, 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.

Each summer since 1978, The Young Americans Dinner Theater has been held at the Boyne Highlands Resort in Harbor Springs, Michigan. In addition, over the past 5 years the Organization has operated an extremely successful summer camp program at the local high school in Harbor Springs. Over the past few years, many friends and supporters of The Young Americans have encouraged the Organization to build camp facilities, such as cabins and a multi-purpose building in the area, to host overnight summer camp programs. In order for this project to begin, the Organization needs to raise support of approximately \$9 million. Boyne Highlands Resort plans to donate land and contribute to the cost of developing the infrastructure for the camp. Management of the Organization believes this project will occur. Therefore, fees paid to an architect of approximately \$39,000 have been capitalized. The Organization will begin depreciation when the project 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 year ended June 30, 2015.

Deferred Revenue

Deferred revenue consists of college registration and tuition fees, and summer camp registration fees. 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.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, there was no deferred rent.

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 (öGAAPö). 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, 2015, 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.

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.

**THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$120,000 for the year ended June 30, 2015.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. 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:

- Performances Program ó The Organization produces outreach tours, dinner theater and Christmas concert.
 - Outreach Tours ó The students/members travel to öhost schoolsö and put on a three-day workshop for elementary, junior high and high school level students (the öParticipantsö). 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.
 - Summer Camps ó The student/members travel to öhost townsö and put on a five day music performance summer camp program for elementary, junior and senior high and college level students (öCampersö). The students/members teach Campers song and dance numbers. On the final day of the camp, the students/members and the Campers perform together in a show.
 - 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.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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, 2012 through 2014 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, 2011 through 2014 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 year ended June 30, 2015 was approximately \$136,000.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 31% of total revenues and support for the year ended June 30, 2015.

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 statement of activities.

During the year ended June 30, 2015, the Organization recorded a net transaction loss of \$46,547.

Subsequent Events

The Organization has evaluated subsequent events through October 26, 2015, 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 had an original term of ten years. The loan was amended with a five-year term during the year ended June 30, 2015. It bears interest at 4.00% per annum, with scheduled monthly payments of principal and interest. At June 30, 2015, the current portion and long-term portion of the loan were \$2,133 and \$5,521, respectively.

Year Ending June 30,

2016	\$ 2,133
2017	2,220
2018	2,311
2019	<u>990</u>
	<u>\$ 7,654</u>

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, less accumulated depreciation at June 30, 2015:

Audio and visual equipment	\$ 309,225
Vehicles	40,263
Computers and other equipment	75,464
Leasehold improvements	506,795
Musical instruments	57,788
Office furniture and equipment	85,567
Software	14,130
Tour assets	<u>298,319</u>
	1,387,551
Less accumulated depreciation	(1,017,210)
Architect fees for future amphitheater	<u>39,160</u>
Total	<u>\$ 409,501</u>

Depreciation expense for the year ended June 30, 2015 was approximately \$128,000.

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, 2015 was \$22,092.

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, 2015, the carrying amount of the asset was \$66,280. Final payments of \$35,302 are due during the year ending June 30, 2016.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. COMMITMENTS

Operating Leases

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 \$225.

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>
2016	\$ 216,000	\$ 7,500	\$ 223,500
2017	224,400	7,500	231,900
2018	<u>233,400</u>	<u>7,500</u>	<u>240,900</u>
	<u>\$ 673,800</u>	<u>\$ 22,500</u>	<u>\$ 696,300</u>

Occupancy expense, including maintenance charges and association fees, for the years ended June 30, 2015 was approximately \$210,000.

Litigation

The Company, from time to time, is involved in certain legal matters which arise in the normal course of business. Management believes that any resolution of such matters will not have a material adverse effect on the financial position of the company.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. RELATED PARTY TRANSACTIONS

Certain board members were compensated as chief financial officer and office administrator. A board member&s spouse served as a voice teacher. The Organization loaned the wife of the Executive Director \$10,000 during the year ended June 30, 2014. See Note 3 for the terms and five-year maturity schedule.

9. RELATED ENTITY

The Foundation for the Young Americans (the öFoundationö) 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 and Dean of Instruction for The College of the Young Americans Performing Arts are 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, 2015, the Foundation contributed \$15,000 to the Organization for scholarships.

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, 2015, cash of \$154,434 is restricted for scholarships and cash of \$45,708 was restricted for music outreach, equipment and tutoring.

11. RETIREMENT PLANS

Defined Contribution Plan

Effective July 1, 2011, the Organization adopted a profit sharing 401(k) plan (the öPlanö). 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.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

11. RETIREMENT PLANS (Continued)

Defined Contribution Plan (Continued)

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 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 \$30,000 for the year ended June 30, 2015.

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, 2007, 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. Effective July 1, 2012, the Pension Plan was amended to include the participation of the Executive Director and Artistic Director. For accrual purposes, service prior to July 1, 2012 is disregarded for this employee. Effective May 31, 2014, the Organization amended this Pension Plan to freeze the benefits.

The present value of accrued benefits based on plan assumptions and the present value of accrued benefits based on 417(e) assumptions at June 30, 2015 are \$610,619 and \$722,735, respectively.

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, 2015, the Organization has recorded the projected benefit obligation as determined by the fractional rule based on years of service method. The Organization’s financial statements also do not include the disclosures required for a defined benefit plan.

THE YOUNG AMERICANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

11. RETIREMENT PLANS (Continued)

Defined Benefit Plan (Continued)

The Pension Plan assets are invested in pooled separate accounts and life insurance policies. 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, 2015 is \$486,758. Based on the Internal Revenue Service fair market value requirements, the cash value of the life insurance policies at June 30, 2015 is \$45,973. The estimated fair market value for actuarial valuation purposes is \$54,325.

At June 30, 2015, the pension plan liability is \$69,536.

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.

At June 30, 2015, using a discount rate of 5.75%, the accrued postretirement benefits liability as reflected on the Statement of Financial Position was \$53,729. The adjustment results in a decrease to income in the current year.

12. CONCENTRATION OF REVENUE AND SUPPORT

The Organization receives approximately 62% 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.

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 year ended June 30, 2015, and have issued our report thereon dated October 26, 2015, which was qualified for the financial statements not using the required actuarial method for computing pension costs and for the omission of the required disclosures. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information in Schedules I to IV 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 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
October 26, 2015

THE YOUNG AMERICANS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Supporting Services					
			Total	General and		Total	Totals		
	Performances	College	Total	Administrative	Fundraising				
Advertising	\$ 131,261	\$ 1,550	\$ 132,811	\$ 2,949	\$ 145	\$ 3,094	\$ 135,905		
Bad debts	5,637	76,079	81,716	-	-	-	81,716		
Bank charges	-	-	-	66,995	-	66,995	66,995		
Benefits	15,507	10,079	25,586	10,854	2,326	13,180	38,766		
Campus facilities	102,838	100,446	203,284	31,090	4,783	35,873	239,157		
Campus utilities	56,531	43,708	100,239	6,367	-	6,367	106,606		
Classroom equipment	-	2,776	2,776	-	-	-	2,776		
Contract Labor	288,945	16,351	305,296	9,600	33,100	42,700	347,996		
Costumes	32,194	75	32,269	170	-	170	32,439		
Depreciation	97,662	29,561	127,223	650	-	650	127,873		
Dues and subscriptions	7,023	248	7,271	-	-	-	7,271		
Equipment rental	48,072	-	48,072	138	688	826	48,898		
Insurance	55,986	15,173	71,159	55,271	132	55,403	126,562		
Interest	2,898	-	2,898	-	-	-	2,898		
Legal and accounting	-	-	-	26,276	-	26,276	26,276		
Library	-	6,726	6,726	-	-	-	6,726		
Music supplies	1,323	437	1,760	190	-	190	1,950		
Office equipment	11,327	18,326	29,653	33	-	33	29,686		
Other business expenses	60,116	2,270	62,386	29,338	11,098	40,436	102,822		
Other production expenses	256,151	33	256,184	-	-	-	256,184		
Payroll taxes	46,169	41,972	88,141	48,967	2,798	51,765	139,906		
Pension	43,293	5,837	49,130	39,162	333	39,495	88,625		
Performance space rental	196,583	-	196,583	-	-	-	196,583		
Postage	4,580	2,644	7,224	136	74	210	7,434		
Printing	15,702	4,530	20,232	-	207	207	20,439		
Props	9,923	-	9,923	-	-	-	9,923		
Salaries	542,083	492,803	1,034,886	574,937	32,854	607,791	1,642,677		
Sets	19,185	-	19,185	-	-	-	19,185		
Shipping	17,124	221	17,345	-	10	10	17,355		
Software	1,903	11,676	13,579	2,678	-	2,678	16,257		
Tax and licenses	5,194	15,603	20,797	556	-	556	21,353		
Teaching supplies	91	7,167	7,258	-	-	-	7,258		
Technical equipment	41,760	(14)	41,746	-	56	56	41,802		
Travel	<u>960,590</u>	<u>8,015</u>	<u>968,605</u>	<u>16,023</u>	<u>24,189</u>	<u>40,212</u>	<u>1,008,817</u>		
Total Expenses	<u>\$ 3,077,651</u>	<u>\$ 914,292</u>	<u>\$ 3,991,943</u>	<u>\$ 922,380</u>	<u>\$ 112,793</u>	<u>\$ 1,035,173</u>	<u>\$ 5,027,116</u>		

SCHEDULE II

THE YOUNG AMERICANS, INC.
SCHEDULE OF COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Performances	College	Supporting	Totals
Unrestricted Net Assets:				
Revenues and Other Support:				
Performances	\$ 3,029,859	\$ -	\$ -	\$ 3,029,859
Merchandise sales, net of cost of sales of \$135,494	172,038	-	-	172,038
College:				
Tuition, net of discounts of \$2,485	-	1,105,633	-	1,105,633
Student housing, net of expenses of \$553,316	-	(20,160)	-	(20,160)
Contributions	362,816	58,983	185,306	607,105
Other income (loss)	(46,547)	-	58,260	11,713
Total unrestricted revenues	3,518,166	1,144,456	243,566	4,906,188
Net Assets Released From Restrictions	5,637	116,942	-	122,579
Total unrestricted revenues and other support	3,523,803	1,261,398	243,566	5,028,767
Expenses:				
Program services:				
Performances	3,077,651	-	-	3,077,651
College	-	914,292	-	914,292
Supporting services:				
General and administrative	331,138	279,375	311,867	922,380
Fundraising	-	-	112,793	112,793
Total expenses	3,408,789	1,193,667	424,660	5,027,116
Increase (decrease) in unrestricted net assets	115,014	67,731	(181,094)	1,651
Temporarily Restricted Net Assets:				
Contributions	6,580	165,000	-	171,580
Net assets released from restrictions	(5,637)	(116,942)	-	(122,579)
Increase in temporarily restricted net assets	943	48,058	-	49,001
Increase (Decrease) in Net Assets	\$ 115,957	\$ 115,789	\$ (181,094)	\$ 50,652

SCHEDULE III

THE YOUNG AMERICANS, INC.
SCHEDULE OF STATEMENT OF ACTIVITIES - PERFORMANCES
FOR THE YEAR ENDED JUNE 30, 2015

Unrestricted Net Assets:

Revenues and Other Support:

Performances:

Music outreach	\$ 1,884,850
Summer camps	577,517
Concerts	567,492
Merchandise sales, net of cost of sales of \$135,494	172,038
Contributions	362,816
Other income (loss)	(46,547)

Total unrestricted revenues	3,518,166
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Net Assets Released From Restrictions	5,637
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Total unrestricted revenues and other support	3,523,803
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Expenses:

Program services:

Facility and performance spaces	355,952
Technical equipment	192,332
Travel	968,493
Personnel	935,997
Costumes, props and sets	61,302
Other production expenses	563,575

Total program services	3,077,651
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Supporting services - General and administrative	331,138
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Total expenses	3,408,789
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Increase in unrestricted net assets	115,014
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Temporarily Restricted Net Assets:

Contributions	6,580
Net assets released from restrictions	(5,637)

Increase in temporarily restricted net assets	943
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Increase in Net Assets	\$ 115,957
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THE YOUNG AMERICANS, INC.
SUPPLEMENTARY STATEMENT OF ACTIVITIES - COLLEGE
FOR THE YEAR ENDED JUNE 30, 2015

Unrestricted Net Assets:

Revenues and Other Support:

College:

Tuition, net of discounts of \$2,485	\$ 1,105,633
Student housing, net of expenses of \$553,316	(20,160)
	<hr/>

Contributions

Total unrestricted revenues	1,144,456
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Net Assets Released From Restrictions	<hr/> 116,942
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Total unrestricted revenues and other support	1,261,398
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Expenses:

Program services:

Instructional	518,730
Student services	66,959
Library	6,726
Facilities	152,990
Equipment and technology	42,762
Admissions and enrollment	<hr/> 126,125

Total program services	914,292
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Supporting services - General and administrative	<hr/> 279,375
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Total expenses	<hr/> 1,193,667
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Increase in unrestricted net assets	67,731
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Temporarily Restricted Net Assets:

Contributions	165,000
Net assets released from restrictions	<hr/> (116,942)
	<hr/> 48,058

Increase in temporarily restricted net assets	<hr/> 48,058
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Increase in Net Assets	\$ <hr/> 115,789
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