# THE YOUNG AMERICANS, INC.

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2019

## WITH INDEPENDENT AUDITORS' REPORT

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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) nonprofit, 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 nonreligious 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 1960's and 1970's. 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.

## PROGRAMS

The Young Americans accomplishes its mission through three distinct but strategically integrated pillars:

1. Performances
2. Outreach Tours
3. The Young Americans College of the Performing Arts

## HISTORY

### Performances

In the early decades, highly visible performances were the norm. 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 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.

In the 1970's and 1980's, 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. More recently, The Young Americans has performed at live concerts alongside Broadway stars Brian Stokes Mitchell, Michael Crawford, and Susan Egan, was featured in the 2010 Macy's Thanksgiving Day Parade, and self-produces "The Magic of Christmas®," a large-scale holiday performance in Los Angeles with an annual audience of 15,000.

Outreach Tours
In 1992, the organization made a seismic expansion and created The Young Americans' Outreach Program, which sought to bring heightened awareness to the decline of performing arts programs in schools across the US Throughout the 25-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. On average, each year The Young Americans visits over 200 communities and engages over 52,000 school-aged children.

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 $1,000,000 to schools across the USA to support performing arts education.

The Young Americans College of the Performing Arts
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. In January 2018, the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges ("ACCJC/WASC") granted accreditation to The Young Americans College of the Performing Arts. ACCJC/WASC is recognized by the Council for Higher Education Accreditation and the US Department of Education as an accrediting body. The College offers an Associate of Arts, Performance degree with options for emphasis in Vocal Performance, Acting, or Dance.

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 Future

The Young Americans' core belief is that music is an essential part in everyone's life. The Young Americans and its Board of Directors are committed to developing relationships with alumni, friends, foundations, and corporate sponsors to enhance and expand its Signature Music Outreach Tours and establish other innovative programs that will build understanding among the diverse people of this world through music and performance. In furtherance of this commitment, in August 2017, the Board hired a new Chief Executive Officer. Concurrent with that hiring, the former Executive/Artistic Director became the Chief Artistic Officer for the Organization.

With increasing demands of the organization's various outreach programs in 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 thousands of 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.

In June of 1978, The Young Americans opened a summer dinner theater at Boyne Highlands, a resort in Harbor Springs, Michigan. Each summer thereafter, The Young Americans have entertained audiences of all ages, making it one of Boyne Highlands' most popular traditions, and a northern Michigan dinner theater destination. The Young Americans recently launched a fundraising campaign to raise funds to build camp facilities, such as cabins and a multi-purpose building at Boyne Highlands, to host overnight events, like summer camp programs. Boyne Highlands plans to donate the land to The Young Americans for this project.

The Young Americans is also looking for funding assistance to acquire land in the Southern California area to locate a permanent campus, which will meet all of the organization's future facilities requirements, such as classrooms, rehearsal studios, student housing, and administrative offices.

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**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Young Americans, Inc. (a California nonprofit public benefit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Management Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management Discussion and Analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Correction of Error

As described in Note 14 to the financial statements, the Organization has determined that certain employees were not classified properly for purposes of overtime hours and pay during the years ended June 30, 2018 and 2017, and has recorded a liability of approximately $198,000 for salaries, payroll taxes, pension match, and interest owed to these individuals. Our opinion is not modified with respect to that matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
October 17, 2019

**THE YOUNG AMERICANS, INC.**
**STATEMENT OF FINANCIAL POSITION**
**JUNE 30, 2019**

**ASSETS**

| | |
|---|---|
| Current Assets: | |
| Cash and cash equivalents: | |
| Without donor restrictions | $ 171,845 |
| With donor restrictions | 163,642 |
| Restricted cash | 410,489 |
| Total Cash and Cash Equivalents | 745,976 |
| Receivables: | |
| Performances, net | 162,946 |
| Students, net | 202,337 |
| Other | 1,712 |
| Total Receivables | 366,995 |
| Investments | 97,228 |
| Inventory | 30,886 |
| Prepaid expenses | 136,442 |
| Total Current Assets | 1,377,527 |
| Property and Equipment, Net | 429,369 |
| Other Assets: | |
| Intangible assets, net | 17,390 |
| Investments | 339,339 |
| Deposits | 40,702 |
| Cash surrender value of life insurance | 51,430 |
| Total Other Assets | 448,861 |
| Total Assets | $ 2,255,757 |

The accompanying notes are an integral part of these financial statements.

**THE YOUNG AMERICANS, INC.**
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**
**JUNE 30, 2019**

**LIABILITIES AND NET ASSETS**

| | |
|---|---|
| Current Liabilities: | |
| Accounts payable | $ 178,491 |
| Accrued expenses | 373,709 |
| Student/member deposits | 61,184 |
| Deferred revenue | 325,863 |
| Current portion of pension plan liability | 8,454 |
| Total Current Liabilities | 947,701 |
| Long-Term Liabilities: | |
| Notes payable | 410,000 |
| Pension plan liability, net of current portion | 213,361 |
| Postretirement benefit obligation | 116,632 |
| Total Long-Term Liabilities | 739,993 |
| Total Liabilities | 1,687,694 |
| Net Assets: | |
| Without donor restrictions | 404,421 |
| With donor restrictions | 163,642 |
| Total Net Assets | 568,063 |
| Total Liabilities and Net Assets | $ 2,255,757 |

The accompanying notes are an integral part of these financial statements.

**THE YOUNG AMERICANS, INC.**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| **Net Assets Without Donor Restrictions:** | |
| Revenues and Other Support: | |
| Performances | $ 3,360,742 |
| Merchandise sales, net of cost of sales of $155,475 | 35,771 |
| College: | |
| Tuition | 1,708,514 |
| Student housing, net of expenses of $638,099 | 78,145 |
| Contributions | 715,438 |
| Other income (loss), net | 9,981 |
| Total Revenues and Other Support | 5,908,591 |
| Net Assets Released from Restrictions | 194,162 |
| Total Revenues, Other Support, and Net Assets Released from Restrictions | 6,102,753 |
| Expenses: | |
| Program services: | |
| Performances | 3,006,561 |
| College | 1,577,476 |
| Total Program Services | 4,584,037 |
| Supporting services: | |
| General and administrative | 1,172,294 |
| Fundraising | 230,633 |
| Total Supporting Services | 1,402,927 |
| Total Expenses | 5,986,964 |
| Increase in Net Assets Without Donor Restrictions | 115,789 |
| **Net Assets With Donor Restrictions:** | |
| Contributions | 187,051 |
| Net assets released from restrictions | (194,162) |
| Decrease in Net Assets With Donor Restrictions | (7,111) |
| Increase in Net Assets | 108,678 |
| Net Assets, Beginning of Year, as Restated | 459,385 |
| Net Assets, End of Year | $ 568,063 |

The accompanying notes are an integral part of these financial statements.

**THE YOUNG AMERICANS, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED JUNE 30, 2019**

| | Program Services | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|
| | Performances | College | Total | General and Administrative | Fundraising | Total | Total |
| Advertising | $ 160,523 | $ 29,994 | $ 190,517 | $ 19,138 | $ 11,679 | $ 30,817 | $ 221,334 |
| Bad debts | 9,637 | 85,946 | 95,583 | - | - | - | 95,583 |
| Bank charges | - | - | - | 97,563 | - | 97,563 | 97,563 |
| Benefits | 29,202 | 31,507 | 60,709 | 13,832 | 2,305 | 16,137 | 76,846 |
| Campus facilities | 133,661 | 173,398 | 307,059 | 50,575 | 3,612 | 54,187 | 361,246 |
| Campus utilities | 40,501 | 41,602 | 82,103 | 17,061 | 1,844 | 18,905 | 101,008 |
| Classroom equipment | - | 23,810 | 23,810 | - | - | - | 23,810 |
| Contract labor | 250,722 | 54,562 | 305,284 | 16,463 | 38,533 | 54,996 | 360,280 |
| Costumes | 18,766 | - | 18,766 | - | - | - | 18,766 |
| Depreciation and amortization | 88,150 | 65,292 | 153,442 | 10,037 | - | 10,037 | 163,479 |
| Dues and subscriptions | 4,135 | 17,309 | 21,444 | 29,080 | 6,394 | 35,474 | 56,918 |
| Equipment rental | 26,886 | 764 | 27,650 | 1,590 | 500 | 2,090 | 29,740 |
| Financial aid servicer | - | 5,690 | 5,690 | - | - | - | 5,690 |
| Insurance | 51,985 | 23,772 | 75,757 | 7,663 | (531) | 7,132 | 82,889 |
| Interest | - | - | - | 18,657 | - | 18,657 | 18,657 |
| Legal and accounting | - | - | - | 92,838 | - | 92,838 | 92,838 |
| Library | - | 50,668 | 50,668 | - | - | - | 50,668 |
| Music supplies | 1,901 | 925 | 2,826 | - | - | - | 2,826 |
| Office equipment | 4,778 | 292 | 5,070 | 16,794 | 172 | 16,966 | 22,036 |
| Other business expenses | 28,034 | 14,720 | 42,754 | 33,332 | 9,642 | 42,974 | 85,728 |
| Other production expenses | 151,080 | 502 | 151,582 | 2,320 | - | 2,320 | 153,902 |
| Payroll taxes | 60,352 | 65,635 | 125,987 | 46,592 | 9,969 | 56,561 | 182,548 |
| Pension | 59,632 | 5,953 | 65,585 | 41,371 | 1,594 | 42,965 | 108,550 |
| Performance space rental | 191,062 | 990 | 192,052 | - | - | - | 192,052 |
| Postage | 702 | 458 | 1,160 | 3,993 | 699 | 4,692 | 5,852 |
| Printing | 12,939 | 323 | 13,262 | 4,314 | 7,278 | 11,592 | 24,854 |
| Props | 3,940 | - | 3,940 | - | - | - | 3,940 |
| Salaries | 777,830 | 847,726 | 1,625,556 | 612,860 | 135,719 | 748,579 | 2,374,135 |
| Sets | 5,707 | 96 | 5,803 | - | - | - | 5,803 |
| Shipping | 8,473 | 986 | 9,459 | 2,310 | 530 | 2,840 | 12,299 |
| Software | 660 | 20,667 | 21,327 | 2,642 | - | 2,642 | 23,969 |
| Tax and licenses | 10,283 | - | 10,283 | (5,318) | - | (5,318) | 4,965 |
| Teaching supplies | - | 3,255 | 3,255 | - | - | - | 3,255 |
| Technical equipment | 26,466 | 82 | 26,548 | 138 | - | 138 | 26,686 |
| Travel | 848,554 | 10,552 | 859,106 | 36,449 | 694 | 37,143 | 896,249 |
| Total Expenses | $ 3,006,561 | $ 1,577,476 | $ 4,584,037 | $ 1,172,294 | $ 230,633 | $ 1,402,927 | $ 5,986,964 |

The accompanying notes are an integral part of these financial statements.

**THE YOUNG AMERICANS, INC.**
**STATEMENT OF CASH FLOWS**
**YEAR ENDED JUNE 30, 2019**

| | | |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Increase in Net Assets | $ | 108,678 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities: | | |
| Depreciation and amortization | | 163,479 |
| Bad debts | | 95,583 |
| Realized gains on sales of investments | | (1,186) |
| Unrealized gains on investments | | (27,727) |
| Increase in cash surrender value of life insurance | | (9,841) |
| Increase in postretirement benefit obligation | | 15,726 |
| Changes in Assets and Liabilities: | | |
| (Increases) decreases in: | | |
| Receivables | | (289,822) |
| Inventory | | 39,142 |
| Prepaid expenses | | (37,738) |
| Deposits | | (167) |
| Increases (decreases) in: | | |
| Accounts payable | | (19,283) |
| Accrued expenses | | 150,157 |
| Student/member deposits | | (21,987) |
| Deferred revenue | | (63,813) |
| Pension plan liability | | 31,203 |
| Total Adjustments | | 23,726 |
| Net Cash and Cash Equivalents Provided by Operating Activities | | 132,404 |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | | (119,944) |
| Purchase of intangibles | | (15,124) |
| Purchases of investments | | (434,149) |
| Proceeds from sale of investments | | 337,456 |
| Payments received on note receivable | | 990 |
| Net Cash and Cash Equivalents Used in Investing Activities | | (230,771) |

The accompanying notes are an integral part of these financial statements.

**THE YOUNG AMERICANS, INC.**
**STATEMENT OF CASH FLOWS (CONTINUED)**
**YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| Cash Flows from Financing Activities: | |
| Proceeds from note payable | $ 410,000 |
| Principal payments on notes payable | (10,567) |
| Net Cash and Cash Equivalents Provided by Financing Activities | 399,433 |
| Net Increase in Cash and Cash Equivalents | 301,066 |
| Effect of Exchange Rates on Cash | (33,404) |
| Cash and Cash Equivalents, Beginning of Year | 478,314 |
| Cash and Cash Equivalents, End of Year | $ 745,976 |
| Supplemental Disclosure of Cash Flow Information: | |
| Cash paid during the year for: | |
| Interest | $ 18,657 |
| Income taxes | $ - |

## Note 1: Nature of Business and Summary of Significant Accounting Policies

The Young Americans, Inc. (the "Organization") 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 the United States 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.

To further the Organization's goals of reaching the youth of the world through music and dance, the Organization established The Young Americans College of the Performing Arts. In January 2018, the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges granted accreditation to The Young Americans College of the Performing Arts.

### Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative US GAAP.

The accounts of the Organization are reported in the following net asset categories:

*Net Assets without Donor Restrictions* - Net assets of the Organization that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

*Net Assets with Donor Restrictions* - Net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Board-designated net assets are assets without donor restrictions subject to self-imposed limits by action of the Organization's Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. There were no board-designated net assets at June 30, 2019.

### Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

### Fair Value Measurements

The carrying value of cash and cash equivalents, receivables, prepaid expenses, inventory, certificates of deposit, accounts payable, accrued expenses, student/member deposits, and deferred revenue approximates their respective fair values due to their short-term maturities.

The Organization reports investments in equity securities and money market accounts with readily determinable fair values at quoted market values. The realized and unrealized gains and losses on investments are reflected in the statement of activities.

### Cash, Cash Equivalents, and Restricted Cash

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. Restricted cash consists of cash to satisfy federal student aid funding requirements that are restricted for long-term purposes.

In February 2019, the Organization established an Irrevocable Letter of Credit for $410,000 with a bank for the benefit of the US Department of Education. The US Department of Education required the Organization to obtain a letter of credit in order to participate in Title IV, Federal Financial Aid Program. The letter of credit expires on February 1, 2020.

### Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. This concentration of 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 student tuition that is based upon a review of outstanding receivables. At June 30, 2019, an allowance of approximately $47,000 has been made in the financial statements for accounts deemed to be uncollectible. The Young Americans College of the Performing Arts anticipates that students will fulfill their financial obligations to the institution. Failure to maintain the schedule of payments may result in a student’s loss of housing privileges and/or ability to attend class until matters are resolved.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, the donor restrictions are reclassified to net assets without donor restrictions.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Receivables (Continued)**

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, 2019.

**Inventory**

Inventory, principally T-shirts and sweatshirts, is stated at the lower of cost or net realizable value 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. 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 a period from five to seven years. Leasehold improvements are depreciated using the straight-line method over the shorter of 15 years or the life of the lease. Maintenance and repairs are expensed as incurred.

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, 2019.

**Investments**

Investments consist primarily of assets invested in equity securities, certificates of deposit, and money market accounts. The Organization accounts for investments in equity securities with readily determinable fair values in the statement of financial position. Investment income and realized and unrealized gains or losses on investments are reflected in the statement of activities and classified in accordance with the presence or absence of donor stipulations.

*Equity Investments*

Equity investments consist of corporate stocks. Securities held in corporate stocks are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1 (as more fully described in Note 4), with no valuation adjustments applied.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Investments (Continued)**

*Investment Risks*

Investments are exposed to various risks, such as significant world events and interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Intangible Assets**

The Organization follows the accounting provisions of FASB ASC 350-30, *General Intangibles Other Than Goodwill*. Intangible assets deemed to have indefinite lives are not amortized but are subject to an annual impairment test. Other intangible assets, including those meeting recognition criteria, are recorded at cost and amortized on a straight-line basis. At June 30, 2019, the Organization had purchased all rights, title, and interest in several musical tracks for $20,600. The Organization will amortize this cost over five years. At June 30, 2019, the Organization recorded $3,210 in amortization expense.

**Deferred Revenue**

Deferred revenue consists of college 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.

**Defined Benefit Plan**

The Organization follows the accounting provisions of the FASB ASC 715-20, *Compensation - Retirement Benefits - Defined Benefit Plans.* The Organization utilized the actuarial method used to compute the net periodic benefit cost and the accrued pension benefit obligation to be in accordance with US GAAP. The required disclosures are also included in these financial statements.

## Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

### Postretirement Benefit Obligation

In 2012, the Organization adopted a postretirement benefit plan that covers the Chief Artistic Officer of the Organization. The Organization is obligated to pay pension benefits on or after the Chief Artistic Officer's seventieth birthday for 84 months. If the Chief Artistic Officer dies before retirement, but prior to receiving 84 monthly installments, the unpaid balance of the payments due will continue to be paid by the Organization to the Chief Artistic Officer'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's policy for compensated absences is as follows:

*Vacation* - All full-time staff employees receive 10 vacations days (80 hours) after the completion of one full year of employment. Vacation days are awarded to eligible employees on July 1 of each year or on the employment date one-year anniversary for new employees. Employees can accrue up to 1.5 times the annual vacation award. As of June 30, 2019, employees accumulated compensatory hours for which management computed an obligation of approximately $34,000.

*Sick Leave* - Staff employees receive 24 hours of sick leave on July 1 of each year. Unused sick leave is forfeited each year. Sick leave is noncompensatory.

### Revenues and Other 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 $200,000 for the year ended June 30, 2019.

### Contributions

Contributions received are recorded as net assets with donor restrictions or without donor restrictions depending on the absence or existence and nature of any donor restrictions. The majority of the Organization's contributions are from individuals.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries, payroll taxes, and other employee benefits are allocated based on the time and effort spent by employees in the Organization's program and supporting services. Contract labor and certain other expenses are allocated based on the performance of activities relating to specific program and supporting services. The costs of operating the campus facility (rent, utilities, etc.) are allocated to program and supporting services based on square footage. Depreciation expense is also allocated based on square footage.

The major programs of the Organization are as follows:

*Performances Program* - The Organization produces outreach tours, summer camps, dinner theater, and Christmas concerts.

- *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.

- *Summer Camps* - The students/members travel to host towns and put on a five-day music performance summer camp program for elementary, junior and senior high school, and college level students ("Campers"). 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* - The students/members perform at Boyne Highlands Resort in Harbor Springs, Michigan. Dinner is served before the show, and the members work as servers.

- *Christmas Concert* - Christmas concerts are performed at the La Mirada Theatre for the Performing Arts.

*College Program* - The Young Americans College of the Performing Arts is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, 10 Commercial Blvd., Suite 204, Novato, CA 94949, (415) 506-0234, an institutional accrediting body recognized by the Council for Higher Education Accreditation and the US Department of Education. Additional information about accreditation, including the filing of complaints against member institutions, can be found at www.accjc.org.

Formed as a specialty school, the college blends the concepts of theoretical learning with practical application, which are 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 the Organization for the costs of tuition, rent, and utilities in order to participate in the college based upon their level of course enrollment.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

The Organization is a California nonprofit corporation that 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 for income taxes has been made in the accompanying financial statements.

The Organization follows the accounting provisions for uncertainty in income taxes as 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 the 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.

**Advertising**

The Organization follows the policy of charging the costs of advertising and marketing to expense as incurred. Advertising expense for the year ended June 30, 2019, was approximately $221,000.

**Foreign Operations and Foreign Currency Translation**

The Organization schedules outreach tours in several foreign countries (e.g., Germany, Japan, 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 21 percent of total revenues and other support for the year ended June 30, 2019.

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 US dollars at the exchange rate existing at the statement of financial position date, and income and expense items are translated at the average exchange rate for the period. The transaction gain or loss has been reported in the accompanying statement of activities. During the year ended June 30, 2019, the Organization recorded a net foreign currency exchange rate loss of $33,404.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements - Not Yet Adopted**

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606).* The ASU establishes new revenue recognition guidance ("ASC 606"), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Organization does not expect the provisions of ASC 606 to have a material impact on the presentation of its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, with subsequent improvements issued in ASU 2018-19. ASU 2016-13 requires that credit losses on most financial assets measured at amortized cost and certain other instruments, including trade receivables, be measured using an expected credit loss model. The ASU also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, including not-for-profit entities, the amendments are effective for fiscal years beginning after December 15, 2021. The Organization does not expect the provisions of ASU 2016-13 to have a material impact on the presentation of its financial statements.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements - Not Yet Adopted (Continued)**

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities - Revenue Recognition (Topic 958-605).* ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Organization does not expect provisions of ASU 2018-08 to have a material impact on the presentation of its financial statements.

**Recent Accounting Pronouncements - Adopted**

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for asset classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity, and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets without donor restrictions* and *net assets with donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profit organizations to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated.

In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds, as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a not-for-profit organization to disclose its interpretation of the ability to spend from underwater endowment funds, including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date.

**Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements - Adopted (Continued)**

Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2019.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018, is as follows:

As originally stated:

| | |
|---|---|
| Net assets, end of year: | |
| Unrestricted | $ 486,466 |
| Temporarily restricted | 170,753 |
| Total Net Assets, End of Year | $ 657,219 |

As restated:

| | |
|---|---|
| Net assets, end of year: | |
| Without donor restrictions | $ 486,466 |
| With donor restrictions | 170,753 |
| Total Net Assets, End of Year | $ 657,219 |

The Organization had a prior-period adjustment, which is further described in Note 14.

**Note 2: Liquidity**

The Organization's financial assets available for general expenditures (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30, 2019:

| | |
|---|---|
| Cash and equivalents | $ 335,487 |
| Investments | 97,228 |
| Receivables | 366,995 |
| Total Financial Assets Available to Meet General Expenditures within One Year | $ 799,710 |

**Note 3: Property and Equipment**

The following is a summary of property and equipment, less accumulated depreciation at June 30, 2019:

| | |
|---|---|
| Audio and visual equipment | $ 359,517 |
| Computers and other equipment | 134,163 |
| Leasehold improvements | 772,309 |
| Musical instruments | 74,262 |
| Office furniture and equipment | 97,606 |
| Software | 22,835 |
| Tour assets | 460,615 |
| Vehicles | 81,248 |
| Subtotal | 2,002,555 |
| Less accumulated depreciation | (1,573,186) |
| Property and Equipment, Net | $ 429,369 |

Depreciation expense for the year ended June 30, 2019, was approximately $160,000.

**Note 4: Investments and Fair Value Measurements**

The fair value measurement accounting literature defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Defined as observable inputs such as quoted prices in active markets.

Level 2: Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Defined as unobservable inputs in which little or no market data exists, thereby requiring an entity to develop its own assumptions.

**Note 4: Investments and Fair Value Measurements (Continued)**

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility and liquidity statistics, specific and broad credit data, and other factors. The Organization is required to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The Organization considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the marketplace's perceived risk of that instrument.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value on a recurring basis at June 30, 2019, based on the level of input utilized to measure fair value:

| | Fair Value Measurements Using | | |
|---|---|---|---|
| | Cost | Fair Value | Level 1 |
| Money market accounts | $ 104,434 | $ 104,434 | $ 104,434 |
| Certificate of deposit | 75,301 | 75,301 | 75,301 |
| Equity securities | 211,298 | 256,832 | 256,832 |
| Total Investments | $ 391,033 | $ 436,567 | $ 436,567 |

The Organization recognizes transfers of assets into and out of levels as of the date an event or the date that a change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2019.

Net investment income (investment income net of unrealized losses) for the year ended June 30, 2019, is approximately $41,000. Investment fees are netted with investment income The Organization paid investment fees of approximately $5,000 for the year ended June 30, 2019.

**Note 5: Cash Surrender Value of Life Insurance**

The Organization is the owner and the beneficiary of variable universal life insurance policies. The total cash surrender value, net of surrender charges, at June 30, 2019, was $51,430.

**Note 6: Notes Payable**

Notes payable at June 30, 2019, consists of the following:

| | |
|---|---|
| In January 2019, the Organization received two promissory notes from two board members. The loan agreements require 9 quarterly payments of interest at a rate of 5.0%. The loan is unsecured and matures in December 2021. | $ 410,000 |

Future principal payments are as follows for years ending June 30:

| | |
|---|---|
| 2019 | $ - |
| 2020 | - |
| 2021 | 410,000 |
| Total | $ 410,000 |

**Note 7: Commitments**

**Operating Leases**

The Organization entered into an operating lease for a building at 1128 Olympic Drive in Corona, California, with future monthly payments ranging from $6,500 to $7,400, expiring June 30, 2022, with a 12-month renewal option. This lease also requires a monthly association fee of $225.

The Organization entered into an operating lease for buildings at 1112 and 1132 Olympic Drive in Corona with future monthly payments ranging from $15,200 to $17,900, expiring June 30, 2022, with two consecutive 12-month renewal options. This lease also requires a monthly association fee of $400.

The Organization entered into an operating lease for space at 1701 Rimpau in Corona with future monthly payments ranging from $1,716 to $1,915, expiring June 30, 2022. This lease also requires a monthly association fee of $179.

**Note 7: Commitments (Continued)**

**Operating Leases (Continued)**

The future minimum lease payments, including common area maintenance ("CAM") of association fees, under these noncancelable leases are as follows for years ending June 30:

| | Base Rent | CAM Association | Total |
|---|---|---|---|
| 2020 | $ 295,152 | $ 7,500 | $ 302,652 |
| 2021 | 310,260 | 7,500 | 317,760 |
| 2022 | 326,580 | 7,500 | 334,080 |
| Total | $ 931,992 | $ 22,500 | $ 954,492 |

Occupancy expense, including maintenance charges and association fees, for the year ended June 30, 2019, was approximately $291,000.

**Note 8: 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. One Organization board member is also on the board of the Foundation. However, he does 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 in the financial statements of the Organization.

For the year ended June 30, 2019, the Foundation contributed $32,000 to the Organization for scholarships and student services activities.

**Note 9: Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of contributions restricted for a specific purpose. Donor-imposed restrictions for contributions are expected to be satisfied in the following year.

**Note 9: Net Assets With Donor Restrictions (Continued)**

At June 30, 2019, net assets with donor restrictions consist of the following:

| | |
|---|---|
| Subject to Expenditures for Specific Purposes: | |
| Assistance fund | $ 10,000 |
| Scholarships | 2,000 |
| Outreach | 35,848 |
| Development | 40,493 |
| | 88,341 |
| Endowments Subject to Endowment Spending Policy and Appropriation: | |
| Scholarships | 75,301 |
| Total | $ 163,642 |

During the year ended June 30, 2019, net assets released from donor-imposed purpose restrictions were $194,162.

**Note 10: 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 21 years old. Employees hired after September 5, 2011, who are over 21 years old and have completed one year of service are eligible to participate in the Plan.

A year of service is defined as a consecutive 12-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. Originally the Plan was referred to as the safe harbor 401(k) plan through December 31, 2013. A contribution equal to 3 percent of the participant's compensation for the entire safe harbor 401(k) plan year was made regardless of whether or not the participant contributed to it.

The Plan was amended in November 2013. Effective January 1, 2014, the Organization elected to make a matching contribution equal to 100 percent of salary deferrals, up to a maximum of 3 percent of salary. Matching and safe harbor nonelective contribution expense was approximately $33,000 for the year ended June 30, 2019.

**Note 10: Retirement Plans (Continued)**

**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 Chief Artistic Officer. For accrual purposes, service prior to July 1, 2012, is disregarded for this employee. Effective May 31, 2014, the Organization amended the Pension Plan to freeze all benefits. The Pension Plan covered three fully vested participants at June 30, 2019.

The Organization used the date of July 1, 2019, to determine pension benefit measurement.

The following table sets forth the Pension Plan's funded status at June 30, 2019:

| | | |
|---|---|---|
| Plan assets at fair value | $ | 424,820 |
| Projected benefit obligation - vested | | (586,968) |
| Unfunded Status | $ | (162,148) |
| Funded Ratio | | 72.4% |

Net periodic pension cost for the year ended June 30, 2019, consisted of the following:

| | | |
|---|---|---|
| Interest cost | $ | 20,645 |
| Actual gain on assets | | (27,681) |
| Projected benefit obligation increase | | 50,193 |
| Total | $ | 43,157 |

Items not recognized as a component of the net periodic pension cost consist of the following:

| | | |
|---|---|---|
| Transition obligation | $ | 153,988 |
| Experience loss | | 67,827 |
| Total | $ | 221,815 |
| Remaining Amortization Years | | 8.7 |

**Note 10: Retirement Plans (Continued)**

**Defined Benefit Plan (Continued)**

| | |
|---|---|
| Principal Assumptions: | |
| Net periodic pension cost: | |
| Discount rate | 3.75% |
| Rate of return on assets | 7.00% |
| Benefit obligation discount rate | 4.00% |

The Organization contributed $40,000 to the Pension Plan and has included $59,667 in prepaid expenses at June 30, 2019.

The percentage of fair value of total Pension Plan assets of each major category of the Pension Plan's assets at June 30, 2019, is stated as follows:

| Asset Category | |
|---|---|
| Equity securities | 98% |
| Other | 2% |
| Total | 100% |

Pension benefits expected to be paid in each of the next five years and in the aggregate for the next five years thereafter are as follows for years ending June 30:

| | | |
|---|---|---|
| 2020 | $ | 2,000 |
| 2021 | | 18,000 |
| 2022 | | 37,000 |
| 2023 | | 36,000 |
| 2024 | | 36,000 |
| Next five years | | 174,000 |
| Total | $ | 303,000 |

**Postretirement Benefit Obligation**

In February 2012, the Organization agreed to pay the Chief Artistic Officer certain postretirement benefit payments over a period of 84 months. The Organization has agreed to pay monthly payments of $3,000 on or after the Chief Artistic Officer's seventieth birthday. US GAAP requires the Organization to record a liability for these obligations to equal the present value of benefits to be paid. The present value of benefits is computed using a discount rate.

At June 30, 2019, using a discount rate of 5.75 percent, the accrued postretirement benefit obligation as reflected on the statement of financial position is $116,632. The adjustment of $15,726 to the postretirement benefit obligation results in a decrease to income in the current year.

## Note 11: Endowment Fund

In August 2018, the Organization received $75,000 for an endowment fund. Another $250 was received during the year ended June 30, 2019. The Organization's endowment fund was established to fund scholarships. As required by US GAAP, net assets associated with endowment funds, including unrestricted investment funds designated by the Board of Directors to be included in the endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2008, the State of California enacted the Uniform Prudent Management of Institutional Fund Act ("UPMIFA"), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets, and, in doing so, to consider a number of factors, including the duration and preservation of its donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds the original value of the gifts with donor-imposed restrictions and maintains that such funds be retained as a permanent endowment.

The Organization's investment objectives, are to:

- preserve the investment portfolio's corpus over the long term;
- ensure the investment portfolio's long-term ability to distribute income; and
- ensure that restricted donations are protected so that they are available for the target use.

The endowment net assets consisted of $75,250 of contributions with donor restrictions.

The following are the changes in endowment net assets for the year ended June 30, 2019:

| | |
|---|---|
| Endowment net assets, beginning of year | $ - |
| Donor restricted contribution | 75,250 |
| Investment income | 51 |
| Endowment Net Assets, End of Year | $ 75,301 |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2019. The Organization has interpreted the State Prudent Management of Institutional Funds Act and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

**Note 12: Concentration of Revenues and Other Support**

The Organization received approximately 58 percent of its contributions from a board member, including family members, for the year ended June 30, 2019.

**Note 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 the volunteers' time does not meet the criteria for recognition as contributed services.

**Note 14: Adjustment to Beginning Net Assets**

During the year ended June 30, 2019, the following adjustment was made to beginning net assets.

| | |
|---|---|
| Net assets at beginning of year, as previously reported | $ 657,219 |
| Adjustment due to error in classifying employees for overtime pay earned by certain individuals during the years ended June 30, 2018 and 2017 | (197,834) |
| Net Assets at Beginning of Year, as Restated | $ 459,385 |

**Note 15: Subsequent Events**

The Organization has evaluated subsequent events through October 17, 2019, the date the financial statements were available to be issued.

# SUPPLEMENTARY INFORMATION

# INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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, 2019, and our report thereon dated October 17, 2019, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedules I - III 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

White Nelson Diehl Evans LLP

Irvine, California
October 17, 2019



2875 Michelle Drive, Suite 300 | Irvine, California 92606 | WNDECPA.com | 714.978.1300

**THE YOUNG AMERICANS, INC.**
**SCHEDULE I - SCHEDULE OF COMBINED STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2019**

| | Performances | College | Supporting | Total |
|---|---|---|---|---|
| **Net Assets Without Donor Restrictions:** | | | | |
| Revenues and Other Support: | | | | |
| Performances | $ 3,360,742 | $ - | $ - | $ 3,360,742 |
| Merchandise sales, net of cost of sales of $155,475 | 35,771 | - | - | 35,771 |
| College: | | | | |
| Tuition | - | 1,708,514 | - | 1,708,514 |
| Student housing, net of expenses of $638,099 | - | 78,145 | - | 78,145 |
| Contributions | 67,958 | 220,334 | 427,146 | 715,438 |
| Other income (loss) | (33,404) | - | 43,385 | 9,981 |
| Total Revenues and Other Support | 3,431,067 | 2,006,993 | 470,531 | 5,908,591 |
| Net Assets Released from Restrictions | 50,357 | 104,297 | 39,508 | 194,162 |
| Total Revenues, Other Support, and Net Assets Released from Restrictions | 3,481,424 | 2,111,290 | 510,039 | 6,102,753 |
| Expenses: | | | | |
| Program services: | | | | |
| Performances | 3,006,561 | - | - | 3,006,561 |
| College | - | 1,577,476 | - | 1,577,476 |
| Total Program Services | 3,006,561 | 1,577,476 | - | 4,584,037 |
| Supporting services: | | | | |
| General and administrative | 303,279 | 381,187 | 487,828 | 1,172,294 |
| Fundraising | - | - | 230,633 | 230,633 |
| Total Supporting Services | 303,279 | 381,187 | 718,461 | 1,402,927 |
| Total Expenses | 3,309,840 | 1,958,663 | 718,461 | 5,986,964 |
| Increase (Decrease) in Net Assets Without Donor Restrictions | 171,584 | 152,627 | (208,422) | 115,789 |
| **Net Assets With Donor Restrictions:** | | | | |
| Contributions | 19,750 | 2,000 | 165,301 | 187,051 |
| Net assets released from restrictions | (50,357) | (104,297) | (39,508) | (194,162) |
| Increase (Decrease) in Net Assets With Donor Restrictions | (30,607) | (102,297) | 125,793 | (7,111) |
| Increase (Decrease) in Net Assets | $ 140,977 | $ 50,330 | $ (82,629) | $ 108,678 |

See accompanying independent auditors' report on supplementary information.

**THE YOUNG AMERICANS, INC.**
**SCHEDULE II - SCHEDULE OF STATEMENT OF ACTIVITIES - PERFORMANCES**
**YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| **Net Assets Without Donor Restrictions:** | |
| Revenues and Other Support: | |
| Performances: | |
| Music outreach | $ 1,806,350 |
| Summer camps | 709,866 |
| Concerts | 816,276 |
| Special projects | 28,250 |
| Merchandise sales, net of cost of sales of $155,475 | 35,771 |
| Contributions | 67,958 |
| Other loss | (33,404) |
| Total Revenues and Other Support | 3,431,067 |
| Net Assets Released from Restrictions | 50,357 |
| Total Revenues, Other Support, and Net Assets Released from Restrictions | 3,481,424 |
| Expenses: | |
| Program services: | |
| Facility and performance spaces | 375,682 |
| Technical equipment | 127,037 |
| Travel | 848,554 |
| Personnel | 1,180,690 |
| Costumes, props, and sets | 33,280 |
| Other production expenses | 441,318 |
| Total Program Services | 3,006,561 |
| Supporting services - general and administrative | 303,279 |
| Total Expenses | 3,309,840 |
| Increase in Net Assets Without Donor Restrictions | 171,584 |
| **Net Assets With Donor Restrictions:** | |
| Contributions | 19,750 |
| Net assets released from restrictions | (50,357) |
| Decrease in Net Assets With Donor Restrictions | (30,607) |
| Increase in Net Assets | $ 140,977 |

See accompanying independent auditors' report on supplementary information.

**THE YOUNG AMERICANS, INC.**
**SCHEDULE III - SCHEDULE OF STATEMENT OF ACTIVITIES - COLLEGE**
**YEAR ENDED JUNE 30, 2019**

| | |
|---|---|
| **Net Assets Without Donor Restrictions:** | |
| Revenues and Other Support: | |
| College: | |
| Tuition | $ 1,708,514 |
| Student housing, net of expenses of $638,099 | 78,145 |
| Contributions | 220,334 |
| Total Revenues and Other Support | 2,006,993 |
| Net Assets Released from Restrictions | 104,297 |
| Total Revenues, Other Support, and Net Assets Released form Restrictions | 2,111,290 |
| Expenses: | |
| Program services: | |
| Instructional | 841,769 |
| Student services | 155,096 |
| Library | 50,669 |
| Facilities | 270,154 |
| Equipment and technology | 49,122 |
| Admissions and enrollment | 204,976 |
| Financial aid | 5,690 |
| Total Program Services | 1,577,476 |
| Supporting services - general and administrative | 381,187 |
| Total Expenses | 1,958,663 |
| Increase in Net Assets Without Donor Restrictions | 152,627 |
| **Net Assets With Donor Restrictions:** | |
| Contributions | 2,000 |
| Net assets released from restrictions | (104,297) |
| Decrease in Net Assets With Donor Restrictions | (102,297) |
| Increase in Net Assets | $ 50,330 |