

International Youth Foundation and Affiliates

Consolidated Financial Report
December 31, 2018

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Independent Auditor's Report

To the Board of Directors
International Youth Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of International Youth Foundation and Affiliates (collectively, IYF), which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Youth Foundation and Affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited IYF's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019, on our consideration of IYF'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 IYF's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, for the year ended December 31, 2018, IYF adopted the following new accounting guidance issued by the Financial Accounting Standards Board. Our opinion is not modified with respect to these matters.

- Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*
- ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*
- ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

RSM US LLP

Baltimore, Maryland
June 10, 2019

International Youth Foundation and Affiliates

**Consolidated Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)**

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 11)	\$ 11,013,874	\$ 9,073,071
Investments (Notes 3 and 11)	5,802,315	6,176,296
Grants and contributions receivable, net (Note 4)	2,424,762	5,317,729
Promises to give, net (Note 5)	191,234	125,777
Contract receivables	622,381	664,343
Prepaid expenses and other	170,969	160,816
Total current assets	20,225,535	21,518,032
Noncurrent assets:		
Cash and cash equivalents	334,055	77,955
Grants and contributions receivable, net (Note 4)	240,385	934,221
Promises to give, net (Note 5)	82,012	48,077
Investments (Notes 3 and 11)	4,775,824	5,260,645
Property and equipment, net (Note 6)	115,893	145,419
Prepaid expenses and other	58,154	-
Total noncurrent assets	5,606,323	6,466,317
Total assets	\$ 25,831,858	\$ 27,984,349

(Continued)

International Youth Foundation and Affiliates

Consolidated Statement of Financial Position (Continued)

December 31, 2018

(With Comparative Totals for 2017)

	2018	2017
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 704,418	\$ 710,700
Accrued salaries and related benefits	792,727	604,324
Deferred revenue	4,438,913	1,389,706
Grants payable	691,645	193,300
Total current liabilities	6,627,703	2,898,030
Noncurrent liabilities:		
Deferred rent (Note 12)	331,884	319,633
Total liabilities	6,959,587	3,217,663
Commitments and contingency (Notes 10 and 12)		
Net assets (Note 8):		
Without donor restrictions:		
Undesignated	1,881,594	1,478,391
Designated for reserve (Note 1)	5,942,329	5,942,329
Designated for endowment (Notes 1 and 7)	3,271,663	3,422,971
Total unrestricted net assets	11,095,586	10,843,691
With donor restrictions (Notes 7 and 8)	7,776,685	13,922,995
Total net assets	18,872,271	24,766,686
Total liabilities and net assets	\$ 25,831,858	\$ 27,984,349

See notes to consolidated financial statements.

International Youth Foundation and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017 Total
	Without Restrictions	With Restrictions	Total	
Support and revenue:				
Program support:				
Contributions	\$ 8,385,482	\$ 4,532,644	\$ 12,918,126	\$ 14,096,868
Contracts	2,827,537	-	2,827,537	4,567,493
General support	134,599	324,761	459,360	312,480
Investment income, net of fees (Note 3)	180,644	21,979	202,623	155,426
Sales and fees	400,503	-	400,503	57,491
Other	581,722	-	581,722	41,625
Net assets released from restrictions (Note 7)	10,926,185	(10,926,185)	-	-
Total support and revenue	23,436,672	(6,046,801)	17,389,871	19,231,383
Expenses:				
Program services	18,477,739	-	18,477,739	17,770,040
General and administrative	4,237,316	-	4,237,316	4,244,341
Total expenses	22,715,055	-	22,715,055	22,014,381
Change in net assets before other items	721,617	(6,046,801)	(5,325,184)	(2,782,998)
Other items:				
Realized and unrealized (losses) gains on investments, net	(395,953)	(99,509)	(495,462)	1,159,151
Currency (losses) gains, net	(73,769)	-	(73,769)	30,538
Loss on uncollectible promise to give	-	-	-	(7,028)
Change in net assets	251,895	(6,146,310)	(5,894,415)	(1,600,337)
Net assets:				
Beginning	10,843,691	13,922,995	24,766,686	26,367,023
Ending	\$ 11,095,586	\$ 7,776,685	\$ 18,872,271	\$ 24,766,686

See notes to consolidated financial statements.

International Youth Foundation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services	General and Administrative	2018 Total	2017 Total
Salaries, benefits and payroll taxes	\$ 9,084,798	\$ 2,954,334	\$ 12,039,132	\$ 11,224,148
Grants to other organizations	3,500,401	-	3,500,401	3,089,400
Consultants and professional fees	2,868,805	368,217	3,237,022	4,287,018
Travel	1,647,465	153,033	1,800,498	1,319,614
Office and supplies expenses	640,427	193,801	834,228	822,213
Occupancy	309,858	418,050	727,908	626,494
Depreciation and other	425,985	149,881	575,866	645,494
	\$ 18,477,739	\$ 4,237,316	\$ 22,715,055	\$ 22,014,381

See notes to consolidated financial statements.

International Youth Foundation and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (5,894,415)	\$ (1,600,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	48,099	60,478
Unrealized and realized losses (gains) on investments, net	495,462	(1,159,151)
Contributions restricted to long-term investment	(328,509)	(31,750)
Loss on uncollectible promise to give	-	7,028
Changes in assets and liabilities:		
Decrease (increase) in:		
Contract receivables	41,962	887,923
Grants and contributions receivable	3,586,803	2,013,010
Promises to give	(99,392)	161,092
Prepaid expenses and other	(68,307)	(14,160)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(6,282)	162,247
Accrued salaries and related benefits	188,403	14,123
Deferred revenue	3,049,207	628,508
Grants payable	498,345	(210,606)
Deferred rent	12,251	16,014
Net cash provided by operating activities	1,523,627	934,419
Cash flows from investing activities:		
Purchase of property and equipment	(18,573)	-
Purchase of investments	(4,754,402)	(4,799,855)
Proceeds from sale of investments	5,117,742	4,110,265
Net cash provided by (used in) investing activities	344,767	(689,590)
Cash flows from financing activities:		
Proceeds from contributions restricted to long-term investment	328,509	31,750
Net cash provided by financing activities	328,509	31,750
Net increase in cash and cash equivalents	2,196,903	276,579
Cash and cash equivalents:		
Beginning	9,151,026	8,874,447
Ending	\$ 11,347,929	\$ 9,151,026

See notes to consolidated financial statements.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: International Youth Foundation and Affiliates (collectively, IYF) are described as follows:

International Youth Foundation: International Youth Foundation is a nonprofit organization, incorporated in the state of Illinois. Founded in April 1990, International Youth Foundation is an independent, international nongovernmental organization dedicated to improving the conditions and prospects of youth. Working with national and regional organizations, International Youth Foundation works to identify, strengthen and expand existing programs that have proven effective in meeting young people's needs. In addition to supporting existing programs, International Youth Foundation works to increase global awareness of youth issues, strengthen the organizational skills of youth program leaders and increase international philanthropy in support of youth.

Resources for Youth, Inc.: In 1998, International Youth Foundation incorporated Resources for Youth, Inc. (RFY) as a supporting organization. RFY previously owned an office building, which it leased to International Youth Foundation. The building was sold during the year ended December 31, 2015. RFY had no activity for the year ended December 31, 2018.

International Youth Foundation Inc., S.A.R.L.A.U.: In 2014, International Youth Foundation incorporated International Youth Foundation Inc., S.A.R.L.A.U. (IYF-MOR), a Limited Liability Company (LLC), in Morocco to support IYF programs and activities in that region. International Youth Foundation is the sole shareholder of the LLC.

A summary of IYF's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: IYF follows the Nonprofit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, IYF is required to report information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions: Net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations. Board-designated net assets are unrestricted net assets designated by the Board of Directors for specific purposes. Board-designated net assets consist of the following:

Reserves: Funds set aside as a reserve against current operating losses or for future programs.

Board-designated endowment: In 2007, the Board of Directors designated \$2,000,000 from its reserve funds to establish an endowment. It is the Board's intention to invest the funds in perpetuity, consolidating them with permanently restricted donor contributions (see Note 7), to create a sustainable income stream for future years.

Net assets with donor restrictions: Net assets with donor restrictions are the net assets that are contributions and endowment investment earnings subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by passage of time or can be fulfilled and removed by actions of IYF pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Principles of consolidation: The consolidated financial statements include the accounts of International Youth Foundation, RFY and IYF-MOR. All significant intercompany transactions have been eliminated.

Cash and cash equivalents: IYF considers investments in money market funds of \$785,232 at December 31, 2018, to be cash equivalents.

At times during the year, IYF maintains cash balances at financial institutions in excess of the federally insured limits (FDIC). At December 31, 2018, cash balances totaling \$11,097,929 exceeded the limit. However, management believes the risk in these institutions to be minimal. At December 31, 2018, cash totaling \$1,398,392 was held in numerous financial institutions outside the United States, which are not insured by the FDIC.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. Dividend and interest income, net of investment fees, is included in interest and dividends in the accompanying consolidated statement of activities. Net realized and unrealized gains and losses on investments are excluded from investment income and are presented separately as other items in the consolidated statement of activities.

IYF invests in professionally managed portfolios that contain U.S. Government and municipal bonds, corporate equities, corporate debt securities, mutual funds and private equity investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Contract receivables: Contract receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on management's review of outstanding amounts. Receivables are written off when deemed uncollectible.

Grants and contributions receivable: Grants receivable are carried at the original or amended grant amount less cash receipts and are further reduced by an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts, based on management's evaluation of the collection of grants receivable, at December 31, 2018.

Promises to give: Unconditional promises to give are recognized as support in the period that IYF is notified of the contribution by the donor and acknowledged and identified by the donor. Unconditional promises to give are initially recorded at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Promises to give to be collected after one year are discounted at an appropriate discount rate commensurate with the risks involved. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. For the year ended December 31, 2018, management deemed all promises to give to be fully collectible.

Property and equipment: Property and equipment with cost in excess of \$5,000 are capitalized and stated at cost less accumulated depreciation. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets. The cost of maintenance and repairs is recorded as an expense as incurred.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: IYF reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: IYF has a lease agreement for rental space in Baltimore, Maryland. Under the terms of the lease agreement, IYF occupied its office space for nine months free of charge during the initial rental period. The benefits that IYF received from the free months and rent increases in future years are being allocated on a straight-line basis over the term of the lease as an offset against each period's occupancy expenditures. In addition, a landlord improvement allowance was provided for leasehold improvements. This benefit is being recognized on a straight-line basis over the life of the lease agreement.

Deferred revenue: Amounts on contracts received prior to the service being performed are recorded as deferred revenue.

Conditional grants payable: Grants made by IYF are recognized as payables and expenses when the reimbursement request is received from the grantee.

Revenue recognition: Contract revenues are considered reciprocal transactions for educational and development services provided to a customer. Performance obligations are satisfied over time, which is the service period of the contract. Revenue is recognized as performance obligations are met. Each service is priced separately and conditions and payment terms vary. Sales and fees includes licensing fees for the purchase of IYF's training curriculums. The fee is non-refundable. License fees are considered one performance obligation and revenue is recognized when IYF provides the curriculum material to the customer. Payment for license fees is due upon signing the agreements.

Contributions of cash and other assets are considered non-reciprocal transactions and are recognized as receivables and support when the contribution has been received and all significant conditions, if any, have been met. Unconditional contributions revenue is classified as support with donor restrictions or without donor restrictions, based upon the existence or lack of donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The revenue streams noted above do not include significant financing components as performance obligations are satisfied within a year of receipt of payment. Also, there is no consideration amounts that are variable. Amounts received in advance of services performed, but not yet earned, are held as refundable advances and are recorded as deferred revenue.

Domestic and international economic downturns can affect the level of revenue for all the revenue streams or can have a positive impact on cash flows in good economic times.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional Allocation of Expenses: The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of activities presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include information technology services, software maintenance and license fees which benefit all projects. These costs have been allocated based on actual time and effort charged to each project and cost center.

Indirect costs: Indirect costs are charged to U.S. Government grants and non-federal grants based on an estimate of the final indirect cost rate. Any variance between the estimate and the final negotiated rate is adjusted in the period when finalized. During the year ended December 31, 2018, IYF's indirect cost rate was calculated based on total direct costs.

Foreign currency translation: The functional currency of IYF is the U.S. dollar. The consolidated financial statements are presented in U.S. dollars. The transactions of IYF's foreign operations are generally maintained in the relevant local currency and so assets and liabilities are translated into U.S. dollars at the statement of financial position date at the exchange rate in effect at year-end.

Foreign currency transactions: Transaction gains or losses arise from changes in the exchange rates between the functional currency (U.S. dollar) and the currency in which the transaction is denominated. They represent an increase or decrease in: (a) the actual functional currency cash flows realized upon settlement of foreign currency transactions and (b) the expected functional currency cash flows on unsettled foreign currency transactions.

Income taxes: IYF is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, IYF qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. For the year ended December 31, 2018, IYF had net unrelated business income of approximately \$60,000.

Management has evaluated IYF's tax positions and has concluded that IYF has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. IYF files tax returns in the U.S. federal jurisdictions. Generally, IYF is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2015.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised 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. IYF elected to early adopt the ASU for the year ended December 31, 2018, using the modified retrospective transition method. The implementation of the ASU had not impact on opening net assets.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. IYF elected to early adopt the ASU for the year ended December 31, 2018, using the modified prospective transition method.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. IYF has implemented ASU No. 2016-14 and has adjusted the presentation of its consolidated financial statements accordingly. The ASU has been applied retrospectively to the consolidated financial statements.

Recently issued accounting pronouncement: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for IYF for fiscal years beginning January 1, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. IYF is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with IYF's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Reclassification: Certain items in the December 31, 2017 consolidated financial statements have been reclassified to conform to the December 31, 2018, financial statement presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

Subsequent events: IYF evaluated subsequent events through June 10, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

IYF's goal is to maintain financial assets to meet 30 days of operating expenses (approximately \$1.5 million). Excess cash is invested in money market accounts. The following represents IYF's financial assets at December 31, 2018:

Cash and cash equivalents	\$ 11,347,929
Promises to give	273,246
Grants and contributions receivable	2,665,147
Contract receivable	622,381
Investments	10,578,139
Total financial assets	<u>25,486,842</u>
Less:	
Donor restricted endowments	1,838,214
Restrictions by donor with time or purpose restrictions	5,938,471
Quasi-endowment fund, primarily for long-term investing	3,271,663
Amounts set aside for operating reserve	5,942,329
	<u>16,990,677</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,496,165</u>

IYF's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowment. Income from endowments is utilized for general operating purposes. As described in Note 7, IYF has a spending policy and \$140,000 of appropriation from the endowments will be available in the next twelve months.

Note 3. Investments

Investments consist of the following at December 31, 2018:

Equity mutual funds	\$ 3,831,602
Fixed income mutual funds	2,350,192
U.S. government bonds and municipal bonds	2,176,574
Common stock	1,168,615
Corporate bonds and notes	1,016,118
Private equity	35,038
	<u>\$ 10,578,139</u>

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 4. Grants and Contributions Receivable

At December 31, 2018, grants receivable are due as follows:

Due within one year	\$ 2,424,762
Due within two years	250,000
	<u>2,674,762</u>
Less present value discount	(9,615)
	<u>\$ 2,665,147</u>

Note 5. Promises to Give

Promises to give to be collected in more than one year from the date of the donor's commitment are measured using the present value of future cash flows based on a discount rate of 4%. Promises to give at December 31, 2018, consist of the following:

Promises to give	\$ 278,918
Less discount to present value	(5,672)
	<u>\$ 273,246</u>

Anticipated collections of outstanding promises to give are as follows:

Due in less than one year	\$ 191,234
Due in one to five years	87,684
	<u>\$ 278,918</u>

Note 6. Property and Equipment

Property and equipment consist of the following at December 31, 2018:

Furniture, equipment and software	\$ 259,622
Leasehold improvements	54,139
	<u>313,761</u>
Less depreciation and amortization	(197,868)
	<u>\$ 115,893</u>

Depreciation and amortization expense for the year ended December 31, 2018, was \$48,099.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 7. Net Assets With Donor Restrictions and Endowment

Changes in net assets with donor restrictions during the year ended December 31, 2018, were as follows:

	Balance December 31, 2017	Additions	Released	Balance December 31, 2018
Purpose restricted	\$ 12,095,760	\$ 4,528,896	\$ (10,736,185)	\$ 5,888,471
Time restricted	100,000	-	(50,000)	50,000
Endowment	1,727,235	250,979	(140,000)	1,838,214
	<u>\$ 13,922,995</u>	<u>\$ 4,779,875</u>	<u>\$ (10,926,185)</u>	<u>\$ 7,776,685</u>

IYF's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, IYF classifies as net assets with perpetual donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as donor restricted net assets until those amounts are appropriated for expenditure by IYF in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, IYF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of IYF and the donor-restricted endowment fund
- General economic conditions and the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies of IYF

Endowment net asset composition by type of fund as of December 31, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,838,214	\$ 1,838,214
Board designated endowment funds	3,271,663	-	3,271,663
	<u>\$ 3,271,663</u>	<u>\$ 1,838,214</u>	<u>\$ 5,109,877</u>

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 7. Net Assets With Donor Restrictions and Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,422,971	\$ 1,727,235	\$ 5,150,206
Contributions	-	328,509	328,509
Investment earnings	(151,308)	(77,530)	(228,838)
Amounts appropriated for expenditure	-	(140,000)	(140,000)
	(151,308)	110,979	(40,329)
Endowment net assets, end of year	\$ 3,271,663	\$ 1,838,214	\$ 5,109,877

Return objectives and risk parameters: IYF has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that IYF must hold in perpetuity or for a donor-specified period, as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is long-term oriented and include assets which are not intended for current use. The primary objective is to provide for consistent long-term growth of principal, without undue exposure to risk. Investment performance is measured on a rolling five-year basis. The total return will be expected to exceed the return of a Blended Market Index that represents the target asset allocation. The total return shall exceed the U.S. Consumer Price Index +3%. The investment manager shall rank in the top 50% versus the appropriate manager universe with a similar equity exposure and with a similar investment philosophy. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, IYF relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The objectives shall be accomplished utilizing a strategy of fixed income, equities and cash equivalents in a mix, which is conducive to participation in rising markets while allowing for protection in falling markets within prudent risk constraints.

Spending policy: The current spending policy allows International Youth Foundation to take an annual distribution of up to 4% of the fair market value of the endowment fund, calculated based on the average of the calendar year-end market values of the rolling prior three years.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 8. Net Assets

Net assets at December 31, 2018, consist of the following by entity:

	IYF	IYF-MOR	Total
Without donor restrictions:			
Undesignated	\$ 1,829,053	\$ 52,541	\$ 1,881,594
Designated for reserve	5,942,329	-	5,942,329
Designated for endowment	3,271,663	-	3,271,663
Total net assets without donor restrictions	11,043,045	52,541	11,095,586
With donor restrictions	7,776,685	-	7,776,685
Total net assets	\$ 18,819,730	\$ 52,541	\$ 18,872,271

Note 9. Retirement Plans

Retirement benefits are provided to all employees under a defined contribution plan, the Retirement Savings Plan. All participants have a fully vested interest in the employee contributions made to their accounts. Employer contributions include a variable matching contribution and non-matching contribution, and a defined safe-harbor non-matching contribution. IYF has no liability under the plan, other than its annual contribution, which is calculated as a percentage of employees' salaries. Retirement plan expense for the year ended December 31, 2018, was \$595,757.

Retirement benefits have been provided to certain executives under a 457(b) deferred compensation plan. IYF contributes an annual contribution, which was \$3,884 for the year ended December 31, 2018. This contribution was calculated as a percentage of employees' salaries in excess of IRC limitations.

Note 10. Contingency

IYF participates in federally assisted grant programs, which are subject to a financial and compliance audit by the federal agency or its representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Note 11. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 11. Fair Value Measurements (Continued)

To determine the appropriate levels, IYF performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. IYF had no Level 3 assets or liabilities at December 31, 2018.

Financial assets recorded in the consolidated statement of financial position are categorized based on the inputs to the valuation technique as follows at December 31, 2018:

Asset Category	Level 1	Level 2	Level 3	Total
Investments included in cash and cash equivalents:				
Money market funds	\$ 785,232	\$ -	\$ -	\$ 785,232
Total cash and cash equivalents	<u>\$ 785,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 785,232</u>
Investments:				
Equity mutual funds:				
Domestic large cap growth	\$ 1,376,468	\$ -	\$ -	\$ 1,376,468
Domestic small cap growth	1,392,921	-	-	1,392,921
Domestic small cap value	314,950	-	-	314,950
International	747,263	-	-	747,263
U.S. treasury and agency obligations:				
U.S. Treasury and agency bonds	-	1,666,901	-	1,666,901
Asset and mortgage backed bonds	-	509,673	-	509,673
Corporate bonds and notes	-	1,016,118	-	1,016,118
Corporate equity securities:				
Information technology	245,917	-	-	245,917
Industrials	219,089	-	-	219,089
Healthcare	201,530	-	-	201,530
Finance	146,695	-	-	146,695
Consumer discretionary	153,082	-	-	153,082
Real Estate Investment Trust	62,096	-	-	62,096
Consumer staples	43,261	-	-	43,261
Energy	56,960	-	-	56,960
Telecommunications	39,985	-	-	39,985
Fixed income mutual fund	2,350,192	-	-	2,350,192
Classified investments by fair value level	<u>\$ 7,350,409</u>	<u>\$ 3,192,692</u>	<u>\$ -</u>	<u>10,543,101</u>
Total measured at net asset value (a)				<u>35,038</u>
Total investments				<u>\$ 10,578,139</u>

The money market, equity securities and mutual funds of IYF are publicly traded and are considered Level 1 items. IYF corporate and government fixed income securities (bonds) are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are therefore considered Level 2 items.

- (a) At December 31, 2018, IYF's assets include private equity funds and an open end mutual fund utilizing the net asset value (NAV) per share or its equivalent as a practical expedient to estimate the fair value of these investments. In accordance with ASC Topic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

International Youth Foundation and Affiliates

Notes to Consolidated Financial Statements

Note 11. Fair Value Measurements (Continued)

The following table provides additional information about the investments held at NAV by major category:

Investment	Fair Value at December 31, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity investments	\$ 35,038	\$ -	None	Locked into a 10-year period

Note 12. Office Lease

IYF entered into a lease agreement on October 26, 2015, for office space. The lease commenced on March 24, 2016. The term of the lease is for ten years. IYF received nine months of free rent as a lease incentive. At December 31, 2018, deferred rent related to this lease was \$331,884.

Total future minimum lease payments are as follows:

Years ending December 31:	
2019	\$ 420,528
2020	431,041
2021	441,817
2022	452,862
2023	464,184
Thereafter	1,088,180
	<u>\$ 3,298,612</u>

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
International Youth Foundation

We have audited the consolidated financial statements of International Youth Foundation and Affiliates (collectively, IYF) as of and for the year ended December 31, 2018, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements (see pages 1 and 2). Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual organizations and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Baltimore, Maryland
June 10, 2019

International Youth Foundation and Affiliates

**Consolidating Statement of Financial Position
December 31, 2018**

	IYF	IYF-MOR	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,501,361	\$ 512,513	\$ -	\$ 11,013,874
Investments	5,802,315	-	-	5,802,315
Grants and contributions receivable, net	2,424,762	-	-	2,424,762
Promises to give, net	191,234	-	-	191,234
Contract receivables	462,928	159,453	-	622,381
Prepaid expenses and other	170,969	-	-	170,969
Intercompany receivable	327,094	-	(327,094)	-
Total current assets	19,880,663	671,966	(327,094)	20,225,535
Noncurrent assets:				
Cash and cash equivalents	334,055	-	-	334,055
Grants and contributions receivable, net	240,385	-	-	240,385
Promises to give, net	82,012	-	-	82,012
Investments	4,781,070	-	(5,246)	4,775,824
Property and equipment, net	115,893	-	-	115,893
Prepaid expenses and other	58,154	-	-	58,154
Total noncurrent assets	5,611,569	-	(5,246)	5,606,323
Total assets	\$ 25,492,232	\$ 671,966	\$ (332,340)	\$ 25,831,858

(Continued)

International Youth Foundation and Affiliates

Consolidating Statement of Financial Position (Continued)
December 31, 2018

	IYF	IYF-MOR	Eliminations	Total
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 522,221	\$ 182,197	\$ -	\$ 704,418
Accrued salaries and related benefits	765,925	26,802	-	792,727
Deferred revenue	4,360,827	78,086	-	4,438,913
Grants payable	691,645	-	-	691,645
Total current liabilities	6,340,618	287,085	-	6,627,703
Noncurrent liabilities:				
Deferred rent	331,884	-	-	331,884
Intercompany payables	-	327,094	(327,094)	-
Total liabilities	6,672,502	614,179	(327,094)	6,959,587
Net assets:				
Without donor restrictions	11,043,045	57,787	(5,246)	11,095,586
With donor restrictions	7,776,685	-	-	7,776,685
Total net assets	18,819,730	57,787	(5,246)	18,872,271
Total liabilities and net assets	\$ 25,492,232	\$ 671,966	\$ (332,340)	\$ 25,831,858

International Youth Foundation and Affiliates

**Consolidating Statement of Activities
Year Ended December 31, 2018**

	IYF	IYF-MOR	Eliminations	Total
Changes in net assets without donor restrictions:				
Support and revenue:				
Program support:				
Contributions	\$ 8,385,482	\$ -	\$ -	\$ 8,385,482
Contracts	1,996,709	978,649	(147,821)	2,827,537
General support	134,599	-	-	134,599
Investment income, net of fees	180,644	-	-	180,644
Sales and fees	400,503	-	-	400,503
Other	581,722	-	-	581,722
Total support and revenue without donor restrictions	11,679,659	978,649	(147,821)	12,510,487
Total net assets released from restrictions	10,926,185	-	-	10,926,185
Total revenues and other support without donor restrictions	22,605,844	978,649	(147,821)	23,436,672
Expenses:				
Program services	17,813,340	812,220	(147,821)	18,477,739
General and administrative	4,237,316	-	-	4,237,316
Total expenses	22,050,656	812,220	(147,821)	22,715,055
Change in net assets without donor restrictions and before other items	555,188	166,429	-	721,617
Other items:				
Realized and unrealized gains, net	(396,646)	-	693	(395,953)
Currency gains	(58,852)	(14,917)	-	(73,769)
Change in net assets without donor restrictions	99,690	151,512	693	251,895
Net assets without donor restrictions:				
Beginning of year	10,943,355	(93,725)	(5,939)	10,843,691
End of year	\$ 11,043,045	\$ 57,787	\$ (5,246)	\$ 11,095,586

(Continued)

International Youth Foundation and Affiliates

Consolidating Statement of Activities (Continued)
Year Ended December 31, 2018

	IYF	IYF-MOR	Eliminations	Total
Changes in net assets with donor restrictions:				
Support and revenue:				
Program support				
Contributions	\$ 4,532,644	\$ -	\$ -	\$ 4,532,644
General support	324,761	-	-	324,761
Investment income, net of fees	21,979	-	-	21,979
Total support and revenue with donor restrictions	4,879,384	-	-	4,879,384
Total net assets released from restrictions	(10,926,185)	-	-	(10,926,185)
Total revenue and other support with donor restrictions	(6,046,801)	-	-	(6,046,801)
Other items:				
Realized and unrealized gains on sales of investments, net	(99,509)	-	-	(99,509)
Change in net assets with donor restrictions	(6,146,310)	-	-	(6,146,310)
Net assets with donor restrictions:	13,922,995	-	-	13,922,995
Net assets with donor restrictions, end of year	7,776,685	-	-	7,776,685
Change in total net assets	(6,046,620)	151,512	693	(5,894,415)
Total net assets:				
Beginning of year	24,866,350	(93,725)	(5,939)	24,766,686
End of year	\$ 18,819,730	\$ 57,787	\$ (5,246)	\$ 18,872,271

International Youth Foundation and Affiliates

**Skills for Life Agreement with the Embassy of Ireland
Schedule of Program Expenditures
Year Ended December 31, 2018**

Management and quality assurance staff	\$	82,126
Program implementation staff		88,485
Travel and transportation		34,893
Project supplies		1,107
Consultants		55,166
Project office costs		23,222
Overhead		<u>68,023</u>
Total	\$	<u><u>353,022</u></u>