

# **International Youth Foundation and Affiliates**

Consolidated Financial Report  
December 31, 2019

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## Independent Auditor's Report

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, 2019, 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. 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Baltimore, Maryland  
June 17, 2020

**International Youth Foundation and Affiliates**

**Consolidated Statement of Financial Position  
December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 11)	\$ 8,525,576	\$ 11,013,874
Investments (Notes 3 and 11)	6,802,979	5,802,315
Grants and contributions receivable, net (Note 4)	1,831,637	2,424,762
Promises to give, net (Note 5)	136,870	191,234
Contract receivables	198,994	622,381
Prepaid expenses and other	331,962	170,969
<b>Total current assets</b>	<b>17,828,018</b>	<b>20,225,535</b>
Noncurrent assets:		
Cash and cash equivalents	358,257	334,055
Grants and contributions receivable, net (Note 4)	513,355	240,385
Promises to give, net (Note 5)	39,607	82,012
Investments (Notes 3 and 11)	5,875,725	4,775,824
Property and equipment, net (Note 6)	83,121	115,893
Prepaid expenses and other	70,553	58,154
<b>Total noncurrent assets</b>	<b>6,940,618</b>	<b>5,606,323</b>
<b>Total assets</b>	<b>\$ 24,768,636</b>	<b>\$ 25,831,858</b>

(Continued)

**International Youth Foundation and Affiliates**

**Consolidated Statement of Financial Position (Continued)**

**December 31, 2019**

**(With Comparative Totals for 2018)**

	2019	2018
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 854,413	\$ 704,418
Accrued salaries and related benefits	691,226	792,727
Deferred revenue	4,022,181	4,438,913
Grants payable	188,598	691,645
<b>Total current liabilities</b>	<b>5,756,418</b>	<b>6,627,703</b>
Noncurrent liabilities:		
Deferred rent (Note 12)	330,406	331,884
<b>Total liabilities</b>	<b>6,086,824</b>	<b>6,959,587</b>
Commitments and contingency (Notes 10, 12 and 14)		
Net assets (Note 8):		
Without donor restrictions:		
Undesignated	2,260,551	1,881,594
Designated for reserve (Note 1)	5,942,329	5,942,329
Designated for endowment (Notes 1 and 7)	3,911,499	3,271,663
<b>Total net assets without donor restrictions</b>	<b>12,114,379</b>	<b>11,095,586</b>
With donor restrictions (Notes 7 and 8)	6,567,433	7,776,685
<b>Total net assets</b>	<b>18,681,812</b>	<b>18,872,271</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,768,636</b>	<b>\$ 25,831,858</b>

See notes to consolidated financial statements.

**International Youth Foundation and Affiliates**

**Consolidated Statement of Activities  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Program support:				
Grants and contributions	\$ 9,551,110	\$ 7,813,269	\$ 17,364,379	\$ 12,918,126
Contracts	1,350,910	-	1,350,910	2,827,537
General support	404,690	38,902	443,592	459,360
Investment income, net of fees (Note 3)	209,384	21,539	230,923	202,623
Sales and fees	226,865	-	226,865	400,503
Other	-	-	-	581,722
Net assets released from restrictions (Note 7)	9,434,199	(9,434,199)	-	-
<b>Total support and revenue</b>	<b>21,177,158</b>	<b>(1,560,489)</b>	<b>19,616,669</b>	<b>17,389,871</b>
Expenses:				
Program services	17,576,236	-	17,576,236	18,477,739
General and administrative	3,909,682	-	3,909,682	4,237,316
<b>Total expenses</b>	<b>21,485,918</b>	<b>-</b>	<b>21,485,918</b>	<b>22,715,055</b>
<b>Change in net assets before other items</b>	<b>(308,760)</b>	<b>(1,560,489)</b>	<b>(1,869,249)</b>	<b>(5,325,184)</b>
Other items:				
Realized and unrealized gains (losses) on investments, net	1,353,612	347,111	1,700,723	(495,462)
Currency (losses) gains, net	(26,059)	4,126	(21,933)	(73,769)
<b>Change in net assets</b>	<b>1,018,793</b>	<b>(1,209,252)</b>	<b>(190,459)</b>	<b>(5,894,415)</b>
Net assets:				
Beginning	11,095,586	7,776,685	18,872,271	24,766,686
Ending	<b>\$ 12,114,379</b>	<b>\$ 6,567,433</b>	<b>\$ 18,681,812</b>	<b>\$ 18,872,271</b>

See notes to consolidated financial statements.

**International Youth Foundation and Affiliates**

**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for 2018)**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>2019 Total</b>	<b>2018 Total</b>
Salaries, benefits and payroll taxes	\$ 8,624,139	\$ 2,315,159	\$ 10,939,298	\$ 12,039,132
Grants to other organizations	2,562,565	-	2,562,565	3,500,401
Consultants and professional fees	2,812,590	577,068	3,389,658	3,237,022
Travel	1,492,391	113,470	1,605,861	1,800,498
Office and supplies expenses	1,301,518	459,915	1,761,433	834,228
Occupancy	302,608	429,788	732,396	727,908
Depreciation and other	480,425	14,282	494,707	575,866
	<b>\$ 17,576,236</b>	<b>\$ 3,909,682</b>	<b>\$ 21,485,918</b>	<b>\$ 22,715,055</b>

See notes to consolidated financial statements.

**International Youth Foundation and Affiliates**

**Consolidated Statement of Cash Flows  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (190,459)	\$ (5,894,415)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	32,772	48,099
Unrealized and realized (gains) losses on investments, net	(1,700,723)	495,462
Contributions restricted to long-term investment	(36,510)	(328,509)
Deferred rent	(1,478)	12,251
Changes in assets and liabilities:		
(Increase) decrease in:		
Contract receivables	423,387	41,962
Grants and contributions receivable	320,155	3,586,803
Promises to give	96,769	(99,392)
Prepaid expenses and other	(173,392)	(68,307)
Increase (decrease) in:		
Accounts payable and accrued liabilities	149,995	(6,282)
Accrued salaries and related benefits	(101,501)	188,403
Deferred revenue	(416,732)	3,049,207
Grants payable	(503,047)	498,345
<b>Net cash (used in) provided by operating activities</b>	<b>(2,100,764)</b>	<b>1,523,627</b>
Cash flows from investing activities:		
Purchase of property and equipment	-	(18,573)
Purchase of investments	(5,784,459)	(4,754,402)
Proceeds from sale of investments	5,384,617	5,117,742
<b>Net cash (used in) provided by investing activities</b>	<b>(399,842)</b>	<b>344,767</b>
Cash flows from financing activities:		
Proceeds from contributions restricted to long-term investment	36,510	328,509
<b>Net cash provided by financing activities</b>	<b>36,510</b>	<b>328,509</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(2,464,096)</b>	<b>2,196,903</b>
Cash and cash equivalents:		
Beginning	11,347,929	9,151,026
Ending	<b>\$ 8,883,833</b>	<b>\$ 11,347,929</b>

See notes to consolidated financial statements.

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 was dissolved in December 2019.

**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:

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

**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.

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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

**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.

**Cash and cash equivalents:** IYF considers investments in money market funds of \$592,698 at December 31, 2019, 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, 2019, cash balances totaling \$8,633,833 exceeded the limit. However, management believes the risk in these institutions to be minimal. At December 31, 2019, cash totaling \$1,430,402 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, 2019.

**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, 2019, management deemed all promises to give to be fully collectible.

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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

**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.

**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 and conditional awards 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

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#### 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, 2019, 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. IYF had no unrelated business income for the year ended December 31, 2019.

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 2016.

**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.

**Pending accounting pronouncement:** In February 2016, the FASB issued Accounting Standard Update (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, 2021, 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.

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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

**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, 2018, from which the summarized information was derived.

#### 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, 2019:

Cash and cash equivalents	\$ 8,883,833
Promises to give	176,477
Grants and contributions receivable	2,344,992
Contract receivable	198,994
Investments	12,678,704
Total financial assets	<u>24,283,000</u>
Less:	
Amounts set aside for operating reserve	5,942,329
Restrictions by donor with time or purpose restrictions	4,387,527
Quasi-endowment fund, primarily for long-term investing	3,911,499
Refundable advances	3,911,578
Donor restricted endowments	2,179,906
Grants and contributions receivable to be received greater than one year	513,355
	<u>20,846,194</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,436,806</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 \$198,336 of appropriation from the endowments will be available in the next 12 months.

#### Note 3. Investments

Investments consist of the following at December 31, 2019:

Equity mutual funds	\$ 5,800,099
Fixed income mutual funds	2,657,078
Common stock	2,231,840
U.S. government bonds and municipal bonds	1,036,028
Corporate bonds and notes	940,103
Private equity	13,556
	<u>\$ 12,678,704</u>

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Grants and Contributions Receivable

At December 31, 2019, grants receivable are due as follows:

Due within one year	\$ 1,831,637
Due within two years	533,889
	<u>2,365,526</u>
Less present value discount	(20,534)
	<u>\$ 2,344,992</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, 2019, consist of the following:

Promises to give	\$ 178,870
Less discount to present value	(2,393)
	<u>\$ 176,477</u>

Anticipated collections of outstanding promises to give are as follows:

Due in less than one year	\$ 136,870
Due in one to five years	42,000
	<u>\$ 178,870</u>

#### Note 6. Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Furniture, equipment and software	\$ 164,503
Leasehold improvements	54,139
	<u>218,642</u>
Less depreciation and amortization	(135,521)
	<u>\$ 83,121</u>

Depreciation and amortization expense for the year ended December 31, 2019, was \$32,772.

## 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, 2019, were as follows:

	Balance December 31, 2018	Additions	Released	Balance December 31, 2019
Purpose restricted	\$ 5,888,471	\$ 7,819,787	\$ (9,320,731)	\$ 4,387,527
Time restricted	50,000	-	(50,000)	-
Endowment	1,838,214	405,160	(63,468)	2,179,906
	<u>\$ 7,776,685</u>	<u>\$ 8,224,947</u>	<u>\$ (9,434,199)</u>	<u>\$ 6,567,433</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 Uniform Prudent Management of Institutional Fund Act (UPMIFA) 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 UPMIFA. In accordance with UPMIFA, 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, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,179,906	\$ 2,179,906
Board designated endowment funds	3,911,499	-	3,911,499
	<u>\$ 3,911,499</u>	<u>\$ 2,179,906</u>	<u>\$ 6,091,405</u>

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,271,663	\$ 1,838,214	\$ 5,109,877
Contributions	-	36,510	36,510
Investment earnings	774,704	368,650	1,143,354
Amounts appropriated for expenditure	(134,868)	(63,468)	(198,336)
	<u>639,836</u>	<u>341,692</u>	<u>981,528</u>
Endowment net assets, end of year	<u>\$ 3,911,499</u>	<u>\$ 2,179,906</u>	<u>\$ 6,091,405</u>

**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

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#### Note 8. Net Assets

Net assets at December 31, 2019, consist of the following by entity:

	IYF	IYF-MOR	Total
Without donor restrictions:			
Undesignated	\$ 2,245,922	\$ 14,629	\$ 2,260,551
Designated for reserve	5,942,329	-	5,942,329
Designated for endowment	3,911,499	-	3,911,499
Total net assets without donor restrictions	12,099,750	14,629	12,114,379
With donor restrictions	6,567,433	-	6,567,433
Total net assets	<u>\$ 18,667,183</u>	<u>\$ 14,629</u>	<u>\$ 18,681,812</u>

#### 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, 2019, was \$551,488.

Retirement benefits have been provided to certain executives under a 457(b) deferred compensation plan. IYF contributes an annual contribution, which was \$1,800 for the year ended December 31, 2019. 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, 2019.

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, 2019:

Asset Category	Level 1	Level 2	Level 3	Total
Investments included in cash and cash equivalents:				
Money market funds	\$ 592,698	\$ -	\$ -	\$ 592,698
Total cash and cash equivalents	\$ 592,698	\$ -	\$ -	\$ 592,698
Investments:				
Equity mutual funds:				
Domestic large cap growth	\$ 2,624,421	\$ -	\$ -	\$ 2,624,421
International	993,122	-	-	993,122
Emerging Markets	879,248	-	-	879,248
Domestic small cap growth	655,859	-	-	655,859
Domestic small cap value	647,449	-	-	647,449
U.S. treasury and agency obligations:				
U.S. Treasury and agency bonds	-	944,762	-	944,762
Asset and mortgage backed bonds	-	91,266	-	91,266
Corporate bonds and notes	-	940,103	-	940,103
Corporate equity securities:				
Information technology	514,170	-	-	514,170
Health care	351,473	-	-	351,473
Finance	292,583	-	-	292,583
Industrials	200,100	-	-	200,100
Consumer services	173,775	-	-	173,775
Consumer non-durables	153,964	-	-	153,964
Real Estate Investment Trust	153,527	-	-	153,527
Business services	90,447	-	-	90,447
Capital goods	78,736	-	-	78,736
Materials	75,627	-	-	75,627
Energy	64,683	-	-	64,683
Public utilities	43,737	-	-	43,737
Telecommunications	39,018	-	-	39,018
Fixed income mutual fund	2,657,078	-	-	2,657,078
Classified investments by fair value level	\$ 10,689,017	\$ 1,976,131	\$ -	12,665,148
Total measured at net asset value (a)				13,556
Total investments				\$ 12,678,704

## International Youth Foundation and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 11. Fair Value Measurements (Continued)

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, 2019, 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.

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

Investment	Fair Value at December 31, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity investments	\$ 13,556	\$ -	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, 2019, deferred rent related to this lease was \$330,406.

Total future minimum lease payments are as follows:

Years ending December 31:	
2020	\$ 420,528
2021	431,041
2022	441,817
2023	452,862
2024	464,184
Thereafter	1,088,180
	<u>\$ 3,298,612</u>

#### Note 13. Conditional Grants

As of December 31, 2019, IYF has \$8,414,801, of revenue to be earned on various conditional grants from various sources of funding including foundations and corporations. The amount is not recognized in the accompanying consolidated financial statements as such revenue is recognized over the multi-year period of each respective grant agreement, conditional upon management of IYF complying with grant requirements.

## **International Youth Foundation and Affiliates**

### **Notes to Consolidated Financial Statements**

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#### **Note 14. Subsequent Events**

IYF evaluated subsequent events through June 17, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Foundation declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which IYF operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be on IYF. The extent of the impact of COVID-19 on the IYF’s operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Under the CARES Act, IYF applied for the Paycheck Protection Program (PPP) loan and received \$1,348,000 on May 8, 2020.

**Independent Auditor's Report on the Supplementary Information**

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, 2019, 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, changes in net assets and cash flows 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 consolidating 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

Baltimore, Maryland  
June 17, 2020

**International Youth Foundation and Affiliates**

**Consolidating Statement of Financial Position  
December 31, 2019**

	IYF	IYF-MOR	Eliminations	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 8,323,836	\$ 201,740	\$ -	\$ 8,525,576
Investments	6,802,979	-	-	6,802,979
Grants and contributions receivable, net	1,831,637	-	-	1,831,637
Promises to give, net	136,870	-	-	136,870
Contract receivables	139,854	59,140	-	198,994
Prepaid expenses and other	331,962	-	-	331,962
Intercompany receivable	94,517	-	(94,517)	-
<b>Total current assets</b>	<b>17,661,655</b>	<b>260,880</b>	<b>(94,517)</b>	<b>17,828,018</b>
Noncurrent assets:				
Cash and cash equivalents	358,257	-	-	358,257
Grants and contributions receivable, net	513,355	-	-	513,355
Promises to give, net	39,607	-	-	39,607
Investments	5,881,000	-	(5,275)	5,875,725
Property and equipment, net	83,121	-	-	83,121
Prepaid expenses and other	70,553	-	-	70,553
<b>Total noncurrent assets</b>	<b>6,945,893</b>	<b>-</b>	<b>(5,275)</b>	<b>6,940,618</b>
<b>Total assets</b>	<b>\$ 24,607,548</b>	<b>\$ 260,880</b>	<b>\$ (99,792)</b>	<b>\$ 24,768,636</b>

(Continued)

**International Youth Foundation and Affiliates**

**Consolidating Statement of Financial Position (Continued)**  
**December 31, 2019**

	IYF	IYF-MOR	Eliminations	Total
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 746,112	\$ 108,301	\$ -	\$ 854,413
Accrued salaries and related benefits	653,068	38,158	-	691,226
Deferred revenue	4,022,181	-	-	4,022,181
Grants payable	188,598	-	-	188,598
<b>Total current liabilities</b>	<b>5,609,959</b>	<b>146,459</b>	<b>-</b>	<b>5,756,418</b>
Noncurrent liabilities:				
Deferred rent	330,406	-	-	330,406
Intercompany payables	-	94,517	(94,517)	-
<b>Total liabilities</b>	<b>5,940,365</b>	<b>240,976</b>	<b>(94,517)</b>	<b>6,086,824</b>
Net assets:				
Without donor restrictions	12,099,750	19,904	(5,275)	12,114,379
With donor restrictions	6,567,433	-	-	6,567,433
<b>Total net assets</b>	<b>18,667,183</b>	<b>19,904</b>	<b>(5,275)</b>	<b>18,681,812</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,607,548</b>	<b>\$ 260,880</b>	<b>\$ (99,792)</b>	<b>\$ 24,768,636</b>

## International Youth Foundation and Affiliates

### Consolidating Statement of Activities Year Ended December 31, 2019

	IYF	IYF-MOR	Eliminations	Total
Changes in net assets without donor restrictions:				
Support and revenue:				
Program support:				
Grants and contributions	\$ 9,551,110	\$ -	\$ -	\$ 9,551,110
Contracts	1,084,344	320,509	(53,943)	1,350,910
General support	404,690	-	-	404,690
Investment income, net of fees	209,384	-	-	209,384
Sales and fees	226,865	-	-	226,865
<b>Total support and revenue without donor restrictions</b>	<b>11,476,393</b>	<b>320,509</b>	<b>(53,943)</b>	<b>11,742,959</b>
Total net assets released from restrictions	9,434,199	-	-	9,434,199
<b>Total revenues and other support without donor restrictions</b>	<b>20,910,592</b>	<b>320,509</b>	<b>(53,943)</b>	<b>21,177,158</b>
Expenses:				
Program services	17,275,079	355,100	(53,943)	17,576,236
General and administrative	3,909,682	-	-	3,909,682
<b>Total expenses</b>	<b>21,184,761</b>	<b>355,100</b>	<b>(53,943)</b>	<b>21,485,918</b>
<b>Change in net assets without donor restrictions and before other items</b>	<b>(274,169)</b>	<b>(34,591)</b>	<b>-</b>	<b>(308,760)</b>
Other items:				
Realized and unrealized gains, net	1,353,612	-	-	1,353,612
Currency losses	(22,738)	(3,292)	(29)	(26,059)
<b>Change in net assets without donor restrictions</b>	<b>1,056,705</b>	<b>(37,883)</b>	<b>(29)</b>	<b>1,018,793</b>
Net assets without donor restrictions:				
Beginning	11,043,045	57,787	(5,246)	11,095,586
Ending	\$ 12,099,750	\$ 19,904	\$ (5,275)	\$ 12,114,379

(Continued)

**International Youth Foundation and Affiliates**

**Consolidating Statement of Activities (Continued)**  
**Year Ended December 31, 2019**

	IYF	IYF-MOR	Eliminations	Total
Changes in net assets with donor restrictions:				
Support and revenue:				
Program support:				
Grants and contributions	\$ 7,813,269	\$ -	\$ -	\$ 7,813,269
General support	38,902	-	-	38,902
Investment income, net of fees	21,539	-	-	21,539
<b>Total support and revenue with donor restrictions</b>	<b>7,873,710</b>	<b>-</b>	<b>-</b>	<b>7,873,710</b>
Total net assets released from restrictions	(9,434,199)	-	-	(9,434,199)
<b>Total revenue and other support with donor restrictions</b>	<b>(1,560,489)</b>	<b>-</b>	<b>-</b>	<b>(1,560,489)</b>
Other items:				
Realized and unrealized gains on sales of investments, net	347,111	-	-	347,111
Currency gains	4,126	-	-	4,126
<b>Change in net assets with donor restrictions</b>	<b>(1,209,252)</b>	<b>-</b>	<b>-</b>	<b>(1,209,252)</b>
Net assets with donor restrictions:				
Beginning	7,776,685	-	-	7,776,685
Ending	\$ 6,567,433	\$ -	\$ -	\$ 6,567,433
<b>Change in total net assets</b>	<b>\$ (152,547)</b>	<b>\$ (37,883)</b>	<b>\$ (29)</b>	<b>\$ (190,459)</b>
Total net assets:				
Beginning	18,819,730	57,787	(5,246)	18,872,271
Ending	\$ 18,667,183	\$ 19,904	\$ (5,275)	\$ 18,681,812