

International Youth Foundation And Resources For Youth, Inc.

Combined Financial Statements
December 31, 2009

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
International Youth Foundation
and Resources for Youth, Inc.
Baltimore, Maryland

We have audited the accompanying combined statement of financial position of International Youth Foundation (IYF) and Resources for Youth, Inc. (RFY) (collectively, the Organization) as of December 31, 2009, and the related combined statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information was derived from the 2008 combined financial statements which were audited by other auditors whose report, dated May 5, 2009, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 combined financial statements referred to above present fairly, in all material respects, the financial position of International Youth Foundation and Resources for Youth, Inc. as of December 31, 2009, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 9, 2010, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
April 9, 2010

International Youth Foundation
And Resources For Youth, Inc.

Combined Statement Of Financial Position
December 31, 2009
(With Comparative Totals For 2008)

Assets	2009	2008
Current Assets		
Cash and cash equivalents	\$ 5,620,878	\$ 2,110,838
Investments (Notes 2 and 12)	6,988,589	8,899,307
Grants receivable, net (Note 3)	13,877,444	13,695,023
Pledges receivable, net (Note 4)	261,374	315,349
Prepaid expenses and other current assets	71,294	89,305
Total current assets	26,819,579	25,109,822
Property And Equipment, net	1,390,984	1,641,673
Noncurrent Assets		
Investments – long-term, net (Note 2)	240,034	425,649
Grants receivable, net of current maturities (Note 3)	2,734,081	5,591,378
Pledges receivable, net of current maturities (Note 4)	33,469	110,192
Loans receivable (Note 6)	502,799	451,287
Total noncurrent assets	3,510,383	6,578,506
Total assets	\$ 31,720,946	\$ 33,330,001

See Notes To Combined Financial Statements.

Liabilities And Net Assets	2009	2008
Current Liabilities		
Accounts payable and accrued liabilities	\$ 410,780	\$ 437,170
Accrued salaries and related benefits	366,517	432,970
Deferred revenue	410,709	-
Grants payable (Note 7)	3,625,432	5,396,302
Total current liabilities	4,813,438	6,266,442
Noncurrent Liabilities		
Loan payable	200,000	-
Grants payable, net of current maturities (Note 7)	939,221	2,477,785
Total liabilities	5,952,659	8,744,227
Contingency (Note 11)		
Net Assets		
Unrestricted		
Undesignated	332,171	109,633
Designated for reserve (Note 8)	6,867,329	6,867,329
Designated for endowment (Notes 8 and 13)	2,000,000	2,000,000
Total unrestricted net assets	9,199,500	8,976,962
Temporarily restricted (Note 9)	15,737,824	14,980,120
Permanently restricted (Notes 13)	830,963	628,692
Total net assets	25,768,287	24,585,774
Total liabilities and net assets	\$ 31,720,946	\$ 33,330,001

International Youth Foundation
And Resources For Youth, Inc.

Combined Statement Of Activities
Year Ended December 31, 2009
(With Comparative Totals For 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Grants and contributions	\$ 2,324,840	\$ 19,342,820	\$ 202,271	\$ 21,869,931	\$ 19,249,309
Investment income, net of investment fees (Note 2)	196,311	30,672	-	226,983	435,813
Other revenue	38,870	57,669	-	96,539	43,466
Net assets released from donor restrictions – program restriction accomplished (Note 9)	18,964,544	(18,964,544)	-	-	-
Total support and revenue	21,524,565	466,617	202,271	22,193,453	19,728,588
Expenses:					
Program services:					
Grants (Note 7)	9,669,681	-	-	9,669,681	12,286,029
Salaries and benefits	5,480,595	-	-	5,480,595	5,093,234
Consultants	1,580,254	-	-	1,580,254	1,547,910
Travel	1,027,038	-	-	1,027,038	1,153,109
Office expenses	471,048	-	-	471,048	689,547
Other	324,626	-	-	324,626	486,913
Total program services	18,553,242	-	-	18,553,242	21,256,742
Fundraising:					
Salaries and benefits	117,926	-	-	117,926	163,080
Consultants	207	-	-	207	44,050
Travel	1,200	-	-	1,200	18,718
Office expenses	17,530	-	-	17,530	5,386
Other	3,497	-	-	3,497	1,355
Total fundraising	140,360	-	-	140,360	232,589
General and administrative:					
Salaries and benefits	2,417,036	-	-	2,417,036	2,491,327
Consultants	317,959	-	-	317,959	404,040
Travel	129,373	-	-	129,373	139,268
Office expenses	178,952	-	-	178,952	425,256
Other	683,503	-	-	683,503	673,939
Total general and administrative	3,726,823	-	-	3,726,823	4,133,830
Total expenses	22,420,425	-	-	22,420,425	25,623,161

(Continued)

International Youth Foundation
And Resources For Youth, Inc.

Combined Statement Of Activities (Continued)
Year Ended December 31, 2009
(With Comparative Totals For 2008)

	2009				2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Change in net assets before other items	\$ (895,860)	\$ 466,617	\$ 202,271	\$ (226,972)	\$ (5,894,573)
Other items:					
Realized (losses) gains on sales of investments	(349,862)	-	-	(349,862)	250,720
Unrealized gains (losses) on investments	1,468,260	-	-	1,468,260	(2,918,261)
Currency gain (loss)	-	291,087	-	291,087	(200,749)
Change in net assets	222,538	757,704	202,271	1,182,513	(8,762,863)
Net assets:					
Beginning	8,976,962	14,980,120	628,692	24,585,774	33,348,637
Ending	\$ 9,199,500	\$ 15,737,824	\$ 830,963	\$ 25,768,287	\$ 24,585,774

See Notes To Combined Financial Statements.

International Youth Foundation
And Resources For Youth, Inc.

Combined Statement Of Cash Flows
Year Ended December 31, 2009
(With Comparative Totals For 2008)

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 1,182,513	\$ (8,762,863)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	250,689	160,676
Realized losses (gains) on sales of investments	349,862	(250,720)
Unrealized (gains) losses on investments	(1,468,260)	2,918,261
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	2,674,876	1,537,694
Pledges receivable	130,698	198,536
Prepaid expenses and other current assets	18,011	(21,659)
Translation adjustment on loans receivable	(51,512)	(170,446)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(26,390)	43,113
Accrued salaries and related benefits	(66,453)	(58,708)
Deferred revenue	410,709	-
Grants payable	(3,309,434)	(60,229)
Net cash used in operating activities	95,309	(4,466,345)
Cash Flows From Investing Activities		
Purchase of fixed assets	-	(98,218)
Purchase of investments	(2,000,740)	(6,998,171)
Proceeds from sale of investments	5,215,471	7,562,832
Net cash provided by investing activities	3,214,731	466,443
Cash Flows From Financing Activities		
Proceeds from loan payable	200,000	-
Net cash provided by financing activities	200,000	-
Net increase (decrease) in cash and cash equivalents	3,510,040	(3,999,902)
Cash And Cash Equivalents		
Beginning	2,110,838	6,110,740
Ending	\$ 5,620,878	\$ 2,110,838

See Notes To Combined Financial Statements.

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: International Youth Foundation (IYF) and Resources for Youth, Inc. (RFY) (collectively, the Organization), are described as follows:

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

Resources for Youth, Inc. – In 1998, IYF incorporated Resources for Youth, Inc. (RFY) as a supporting organization. RFY owns the office building which is leased to IYF.

A summary of the Organization's significant accounting policies follows:

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

Basis of presentation: The Organization follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Principles of combination: The combined financial statements include the accounts of IYF and RFY. All significant intercompany transactions have been eliminated.

Cash and cash equivalents: IYF considers investments in money market funds of \$5,546,177 at December 31, 2009, to be cash equivalents.

At times during the year, IYF and RFY maintain cash balances at financial institutions in excess of the federally insured limits. Management believes the risk in these situations to be minimal.

Investments: Investments are recorded at market value. Dividend and interest income, net of investment fees is included in investment income in the accompanying combined 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 combined statement of activities.

The Organization invests in professionally managed portfolios that contain U.S. Government bonds, corporate equities, corporate debt securities and mutual funds. 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 financial statements.

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Grants receivable: Grants receivable are carried at original invoice amount less 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 promises, based on management's evaluation of the collection of grants receivable, at December 31, 2009.

Pledges receivable: Pledges receivable are recognized as revenue in the year a commitment is received from the donor. They are reported as increases in the appropriate revenue category of net assets. Promises to give that will not be collected within one year have been discounted at a risk-free rate of return in effect at the time the gift was pledged, based upon anticipated payment dates. Total discount amount for the year ended December 31, 2009, was \$1,531. In regards to allowance for doubtful promises, management's evaluation is based on experience with the donors and collections. There was no allowance for doubtful promises at December 31, 2009.

Property and equipment: Property and equipment with cost in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, which are 30 years for the building and related improvements and three to five years for furniture, equipment and software. The cost of maintenance and repairs is recorded as expenses are incurred.

Valuation of long-lived assets: The Organization accounts for the valuation of long-lived assets under the *Accounting for the Impairment or Disposal of Long-Lived Assets* Topic of the Codification. This Codification requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets 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 reportable at the lower of the carrying amount or fair value, less costs to sell.

Grants and contributions: Grants received by IYF are recognized as receivables and revenue when the grant commitment has been received and all significant conditions of the grant have been met. Grant revenue is classified as unrestricted or temporarily restricted, based upon the existence of donor-imposed restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets at the time the restrictions are satisfied.

Grants and pledges receivable due after one year are recorded at the estimated present value of amounts to be received, using an average discount rate of 4.0%. Grants obligated by IYF are recognized as payables and expenses when the grant commitment is made and all significant conditions have been fulfilled by the grant recipient.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Net asset classification: The net assets are reported in three self-balancing groups, as follows:

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of IYF and RFY and include both internally designated and undesignated resources.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of IYF and RFY and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Permanently restricted net assets represent funds restricted by the donor to be maintained in perpetuity by IYF.

Foreign currency translation: The dollar (dollars) is the functional currency for IYF. Transactions in currencies other than the U.S. dollar are translated into dollars at the rate of exchange in effect on the date of the transaction. Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the combined statement of financial position.

Income taxes: IYF and RFY are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. IYF and RFY are not considered private foundations.

On January 1, 2009, the Organization adopted the accounting standard for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization recognizes the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Use of estimates: The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined 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 Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Prior year information: The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Subsequent events: IFY evaluated subsequent events for potential required disclosure through April 9, 2010, which is the date combined financial statements were available to be issued.

Note 2. Investments

Investments consist of the following at December 31, 2009:

	Market Value
Current:	
U.S. Government bonds	\$ 1,498,186
Corporate debt securities	614,611
Corporate equity securities	1,404,074
Fixed-income mutual funds	469,840
Fixed-income annuities	245,970
Equity investment mutual funds	2,755,908
	<u>6,988,589</u>
Long-term:	
Private equity investments	240,034
	<u>\$ 7,228,623</u>

Interest and dividend income of \$226,983 is net of investment expenses totaling \$37,706.

Note 3. Grants Receivable

All grants receivable are considered to be collectible within one year, unless otherwise stated by the donor. Grants receivable that will not be collected within one year have been discounted using a current interest rate of 4.0% at December 31, 2009. Total discount for the year ended December 31, 2009, was \$108,251.

Following is a summary, by years, of grants receivable as of December 31, 2009:

Years Ending December 31,	
2010	\$ 13,877,444
2011	2,705,247
2012	28,834
	<u>16,611,525</u>
Less current maturities	13,877,444
	<u>\$ 2,734,081</u>

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 4. Pledges Receivable

All pledges receivable are considered to be collectible within one year, unless otherwise stated by the donor. Pledges that will not be paid within one year have been discounted at December 31, 2009, using current interest rates of 4.0%. Total discount for the year ended December 31, 2009, was \$1,531.

Following is a summary, by years, of pledges receivable as of December 31, 2009:

<u>Year Ending December 31,</u>	
2010	\$ 261,374
2011	28,846
2012	<u>4,623</u>
	294,843
Less current maturities	<u>261,374</u>
	<u><u>\$ 33,469</u></u>

Note 5. Property And Equipment

Property and equipment consist of the following at December 31, 2009:

Land	\$ 324,980
Building and improvements	3,175,362
Furniture and equipment	<u>405,367</u>
	3,905,709
Less depreciation and amortization	<u>(2,514,725)</u>
	<u><u>\$ 1,390,984</u></u>

Total depreciation expense for the year ended December 31, 2009, was \$250,689.

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 6. Loans Receivable

The loans receivable are between IYF and the non-profit organizations set forth below. Funding for these loans was provided by Nokia as part of the Tsunami Reconstruction Initiative and is intended to provide micro-finance loans to victims of the 2004 Tsunami in South Asia.

The loans are non-interest bearing with payments commencing on January 31, 2010:

Center for Community Development and Education	\$	156,859
Community Collective Society for Integrated Development		298,196
Hambantota District Chamber of Commerce		47,744
	\$	<u>502,799</u>

Note 7. Grants Payable And Expense

Conditional and unconditional grant and sub-grant obligations, some of which extend over several years, have been approved by senior management and the Board of Directors. Grants approved by senior management and the Board of Directors during 2009 totaled \$5,770,718.

The grants payable balance at December 31, 2009, consists of unconditional and conditional grants where all of the conditions had been met. The balance is expected to be disbursed as follows:

Years Ending December 31,

2010	\$	3,625,432
2011		864,221
2012		75,000
		<u>4,564,653</u>
Less current maturities		<u>3,625,432</u>
	\$	<u>939,221</u>

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 7. Grants Payable And Expense (Continued)

Information concerning the geographic locations of grant expenses for 2009 is summarized as follows for the year ended December 31, 2009:

Antigua/Barbuda	\$	105,988
Argentina		367,685
Armenia		10,000
Australia		20,000
Balkans		63,855
Belgium		227,999
Brazil		827,242
Chile		139,824
Colombia		663,531
Ecuador		99,654
Egypt		437,315
El Salvador		176,936
Grenada		58,503
Haiti		36,049
Hungary		30,000
India		162,133
Israel		51,262
Italy		10,000
Jamaica		131,825
Jordan		40,800
Kenya		369,474
Liberia		9,947
Mexico		110,638
Morocco		29,116
Nicaragua		51,152
Nigeria		354,942
Pakistan		31,144
Paraguay		140,103
Peru		833,607
Philippines		1,854,096
Poland		10,000
Romania		363,853
Russia		22,417
South Africa		350,000
Spain		45,570
Tanzania		240,837
Thailand		12,493
Turkey		434,719
Uganda		321,953
United States		30,000
Venezuela		41,052
Zambia		224,447
Zimbabwe		10,000
Other		117,520
	\$	<u>9,669,681</u>

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 8. Board Designated Net Assets

The Board of IYF has designated certain amounts of net assets, as follows:

- *Board designated for reserve:* The net assets designated for reserve are funds set aside by the Board of Directors as a reserve against current operating losses or for future programs.
- *Board designated for 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, combining them with permanently restricted donor contributions (See Note 13), to create a sustainable income stream for future years.

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted and other funds, which are only available for program activities or general support designated for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2009, due to the purpose restriction being accomplished, or the time restriction being met.

Temporarily restricted net assets at December 31, 2009, are available for the following programs:

	Balance December 31, 2008	Additions	Released	Balance December 31, 2009
Purpose restricted:				
Education	\$ 3,836,457	\$ 4,266,568	\$ 5,072,394	\$ 3,030,631
Employability	7,417,599	8,931,477	6,604,963	9,744,113
Health education	1,327,925	1,569,340	2,216,466	680,799
Leadership and engagement	1,892,644	4,834,530	4,938,623	1,788,551
Fundraising	110,204	-	110,204	-
Other	376,291	120,333	21,894	474,730
Time restricted – general support	19,000	-	-	19,000
	<u>\$ 14,980,120</u>	<u>\$ 19,722,248</u>	<u>\$ 18,964,544</u>	<u>\$ 15,737,824</u>

International Youth Foundation
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Notes To Combined Financial Statements

Note 10. 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 (approximately \$422,000), which is calculated as a percentage of employees' salaries.

Additional retirement benefits have been provided to certain executives under a 457(b) deferred compensation plan. IYF has no liability under the plan, other than its annual contribution, which was \$2,896 in 2009. This contribution was calculated as a percentage of employees' salaries in excess of Internal Revenue Code limitations.

Note 11. Contingency

IYF received approximately 69% of its revenue from grants from the U.S. Government that are subject to audit. The ultimate determination of amounts received under these programs is generally based upon allowable costs incurred, required to be reported to and subject to audit by the government. Until such audits have been completed and final settlements reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. The Organization's management is of the opinion that no significant adjustment to these combined financial statements, if any, would result from audit findings.

Note 12. Fair Value Measurements

In accordance with the FASB Codification statement, *Fair Value Measurements*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the combined statement of financial position are categorized based on the inputs to valuation techniques, as follows:

Level 1: These are investments where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access.

Level 2: These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3: These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

International Youth Foundation
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Notes To Combined Financial Statements

Note 12. Fair Value Measurements (Continued)

Financial assets recorded in the combined statement of financial position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2009:

Asset Category	Level 1	Level 2	Level 3	Total
U.S. Government bonds	\$ -	\$ 1,498,186	\$ -	\$ 1,498,186
Corporate debt securities	-	614,611	-	614,611
Corporate equity securities	1,404,074	-	-	1,404,074
Fixed-income mutual funds	469,840	-	-	469,840
Equity mutual funds	2,755,908	-	-	2,755,908
Fixed-income annuities	-	245,970	-	245,970
Private equity investments	-	-	240,034	240,034
Total	\$ 4,629,822	\$ 2,358,767	\$ 240,034	\$ 7,228,623

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the year ended December 31, 2009:

	Private Equity Investments
Beginning balance as of December 31, 2008	\$ 425,649
Unrealized and realized losses	(187,535)
Earned income	1,920
Purchases/distributions	-
Balance as of December 31, 2009	<u>\$ 240,034</u>

Note 13. Permanently Restricted Net Assets And Endowment

IYF's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 13. Permanently Restricted Net Assets And Endowment (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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, 2009, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 830,963	\$ 830,963
Board designated endowment funds	2,000,000	-	-	2,000,000
Total	\$ 2,000,000	\$ -	\$ 830,963	\$ 2,830,963

Changes in endowment net assets for the year ended December 31, 2009, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,000,000	\$ -	\$ 628,693	\$ 2,628,693
Investment earnings:				
Interest and dividends	17,571	-	8,179	25,750
Total	17,571	-	8,179	25,750
Net present value adjustment for pledges receivable	-	-	2,270	2,270
Contributions	-	-	200,000	200,000
Net unrealized/realized gains	266,807	-	124,193	391,000
Funds required to replenish endowment net assets to original corpus	(284,378)	-	(132,372)	(416,750)
	(17,571)	-	194,091	176,520
Endowment net assets, end of year	\$ 2,000,000	\$ -	\$ 830,963	\$ 2,830,963

International Youth Foundation
And Resources For Youth, Inc.

Notes To Combined Financial Statements

Note 13. Permanently Restricted Net Assets And Endowment (Continued)

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 longer-term oriented and include assets which are not intended for current use. The primary objective will be to provide for consistent long-term growth of principal, without undue exposure to risk. Investment performance will be 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 and how the investment objectives relate to spending policy: Currently, IYF does not have a spending policy. Spending is in accordance with any donor-imposed restrictions. Accordingly, over the long-term, IYF expects to allow its endowment to grow annually. This is consistent with IYF's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Supplementary Information

To the Board of Directors
International Youth Foundation
and Resources for Youth, Inc.
Baltimore, Maryland

Our audit was conducted with the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining information which follows is presented for the purposes of additional analysis of the basic combined financial statements, rather than to present the financial position and changes in net assets of the individual entities. The combining information has been subjected to auditing procedures applied in the audit of the basic combined financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
April 9, 2010

International Youth Foundation
And Resources For Youth, Inc.

Combining Statement Of Financial Position
December 31, 2009

Assets	IYF	RFY	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 5,572,469	\$ 48,409	\$ -	\$ 5,620,878
Investments	6,988,589	-	-	6,988,589
Grants receivable, net	13,877,444	-	-	13,877,444
Pledges receivable, net	261,374	-	-	261,374
Prepaid expenses and other current assets	62,469	8,825	-	71,294
Intercompany receivables	1,302,290	-	(1,302,290)	-
Total current assets	28,064,635	57,234	(1,302,290)	26,819,579
Property And Equipment, net	71,185	1,319,799	-	1,390,984
Noncurrent Assets				
Investments – long-term, net	240,034	-	-	240,034
Grants receivable, net of current maturities	2,734,081	-	-	2,734,081
Pledges receivable, net of current maturities	33,469	-	-	33,469
Loans receivable	502,799	-	-	502,799
Total noncurrent assets	3,510,383	-	-	3,510,383
Total assets	\$ 31,646,203	\$ 1,377,033	\$ (1,302,290)	\$ 31,720,946

Liabilities And Net Assets	IYF	RFY	Eliminations	Total
Current Liabilities				
Accounts payable and accrued liabilities	\$ 410,780	\$ -	\$ -	\$ 410,780
Accrued salaries and related benefits	366,517	-	-	366,517
Deferred revenue	410,709	-	-	410,709
Grants payable	3,625,432	-	-	3,625,432
Total current liabilities	4,813,438	-	-	4,813,438
Noncurrent Liabilities				
Loan payable	200,000	-	-	200,000
Grants payable, net of current maturities	939,221	1,302,290	(1,302,290)	939,221
Total liabilities	5,952,659	1,302,290	(1,302,290)	5,952,659
Net Assets				
Unrestricted				
Undesignated	257,428	74,743	-	332,171
Designated for reserve	6,867,329	-	-	6,867,329
Designated for endowment	2,000,000	-	-	2,000,000
Total unrestricted net assets	9,124,757	74,743	-	9,199,500
Temporarily restricted	15,737,824	-	-	15,737,824
Permanently restricted	830,963	-	-	830,963
Total net assets	25,693,544	74,743	-	25,768,287
Total liabilities and net assets	\$ 31,646,203	\$ 1,377,033	\$ (1,302,290)	\$ 31,720,946

International Youth Foundation
And Resources For Youth, Inc.

Combining Statement Of Activities
Year Ended December 31, 2009

	IYF	RFY	Eliminations	Total
Unrestricted revenue:				
Grants and contributions	\$ 2,324,840	\$ -	\$ -	\$ 2,324,840
Investment income, net of investment fees	196,311	-	-	196,311
Other revenue	15,657	550,401	(527,188)	38,870
Net assets released from donor restrictions	18,964,544	-	-	18,964,544
Total unrestricted revenue	21,501,352	550,401	(527,188)	21,524,565
Expenses:				
Program services:				
Grants	9,669,681	-	-	9,669,681
Salaries and benefits	5,480,595	-	-	5,480,595
Consultants	1,580,254	-	-	1,580,254
Travel	1,027,038	-	-	1,027,038
Office expenses	471,048	-	-	471,048
Other	324,626	-	-	324,626
Total program services	18,553,242	-	-	18,553,242
Fundraising:				
Salaries and benefits	117,926	-	-	117,926
Consultants	207	-	-	207
Travel	1,200	-	-	1,200
Office expenses	17,530	-	-	17,530
Other	3,497	-	-	3,497
Total fundraising	140,360	-	-	140,360
General and administrative:				
Salaries and benefits	2,417,036	-	-	2,417,036
Consultants	317,959	-	-	317,959
Travel	129,373	-	-	129,373
Office expenses	197,073	509,067	(527,188)	178,952
Other	683,503	-	-	683,503
Total general and administrative	3,744,944	509,067	(527,188)	3,726,823
Total expenses	22,438,546	509,067	(527,188)	22,420,425
Change in unrestricted net assets before other items	(937,194)	41,334	-	(895,860)
Other items:				
Realized losses on sales of investments	(349,862)	-	-	(349,862)
Unrealized gains on investments	1,468,260	-	-	1,468,260
Change in unrestricted net assets	\$ 181,204	\$ 41,334	\$ -	\$ 222,538

(Continued)

International Youth Foundation
And Resources For Youth, Inc.

Combining Statement Of Activities (Continued)
Year Ended December 31, 2009

	IYF	RFY	Eliminations	Total
Temporarily restricted revenue:				
Grants and contributions	\$ 19,342,820	\$ -	\$ -	\$ 19,342,820
Dividends and interest income, net of investment fees	30,672	-	-	30,672
Other revenue	57,669	-	-	57,669
Net assets released from donor restrictions	(18,964,544)	-	-	(18,964,544)
Change in temporarily restricted net assets before other items	466,617	-	-	466,617
Other items:				
Currency gain	291,087	-	-	291,087
Change in temporarily restricted net assets	\$ 757,704	\$ -	\$ -	\$ 757,704
Permanently restricted revenue:				
Grants and contributions	\$ 202,271	\$ -	\$ -	\$ 202,271
Change in permanently restricted net assets	\$ 202,271	\$ -	\$ -	\$ 202,271
Change in net assets	\$ 1,141,179	\$ 41,334	\$ -	\$ 1,182,513

International Youth Foundation
And Resources For Youth, Inc.

Combining Statement Of Changes In Net Assets
Year Ended December 31, 2009

	IYF	RFY	Eliminations	Total
Unrestricted net assets:				
Net assets at beginning of year	\$ 8,943,553	\$ 33,409	\$ -	\$ 8,976,962
Change in unrestricted net assets	181,204	41,334	-	222,538
Net assets at end of year	\$ 9,124,757	\$ 74,743	\$ -	\$ 9,199,500
Temporarily restricted net assets:				
Net assets at beginning of year, as restated	\$ 14,980,120	\$ -	\$ -	\$ 14,980,120
Change in temporarily restricted net assets	757,704	-	-	757,704
Net assets at end of year	\$ 15,737,824	\$ -	\$ -	\$ 15,737,824
Permanently restricted net assets:				
Net assets at beginning of year, as restated	\$ 628,692	\$ -	\$ -	\$ 628,692
Change in permanently restricted net assets	202,271	-	-	202,271
Net assets at end of year	\$ 830,963	\$ -	\$ -	\$ 830,963