

**International Youth Foundation  
And Resources For Youth, Inc.**

Combined Financial Statements  
December 31, 2010

## Contents

<b>Independent Auditor's Report On The Financial Statements</b>	1
<b>Financial Statements</b>	
Combined Statement Of Financial Position	2 – 3
Combined Statement Of Activities	4 – 5
Combined Statement Of Cash Flows	6
<b>Notes To Combined Financial Statements</b>	7 – 19
<b>Independent Auditor's Report On The Supplementary Information</b>	20
<b>Supplementary Information</b>	
Combining Statement Of Financial Position	21 – 22
Combining Statement Of Activities	23 – 24
Combining Statement Of Changes In Net Assets	25



## 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, 2010, 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 has been derived from the 2009 combined financial statements, and in our report dated April 9, 2010, we expressed an unqualified opinion on those combined financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, the 2010 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, 2010, 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 March 24, 2011, 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 those reports 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. Those reports are 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*

Baltimore, Maryland  
March 24, 2011

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combined Statement Of Financial Position  
December 31, 2010  
(With Comparative Totals For 2009)**

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current Assets		
Cash and cash equivalents	<b>\$ 5,408,902</b>	\$ 5,620,878
Investments (Notes 2 and 12)	<b>7,802,031</b>	6,988,589
Grants receivable, net (Note 3)	<b>17,950,625</b>	13,877,444
Pledges receivable, net (Note 4)	<b>332,096</b>	261,374
Prepaid expenses and other current assets	<b>136,854</b>	71,294
<b>Total current assets</b>	<b>31,630,508</b>	26,819,579
Property And Equipment, net (Note 5)	<b>1,166,376</b>	1,390,984
Noncurrent Assets		
Investments – long term, net (Note 2)	<b>310,018</b>	240,034
Grants receivable, net of current maturities (Note 3)	<b>3,261,083</b>	2,734,081
Pledges receivable, net of current maturities (Note 4)	<b>4,808</b>	33,469
Loans receivable (Note 6)	<b>661,642</b>	502,799
<b>Total noncurrent assets</b>	<b>4,237,551</b>	3,510,383
 <b>Total assets</b>	 <b>\$ 37,034,435</b>	 <b>\$ 31,720,946</b>

See Notes To Combined Financial Statements.

<b>Liabilities And Net Assets</b>	<b>2010</b>	<b>2009</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 448,737	\$ 410,780
Accrued salaries and related benefits	414,820	366,517
Deferred revenue	-	410,709
Grants payable (Note 7)	1,546,221	3,625,432
<b>Total current liabilities</b>	<b>2,409,778</b>	<b>4,813,438</b>
<b>Noncurrent Liabilities</b>		
Loan payable	200,000	200,000
Grants payable, net of current maturities (Note 7)	110,884	939,221
<b>Total liabilities</b>	<b>2,720,662</b>	<b>5,952,659</b>
Contingency (Note 11)		
<b>Net Assets</b>		
Unrestricted		
Undesignated	1,413,698	332,171
Designated for reserve (Note 8)	6,867,329	6,867,329
Designated for endowment (Notes 8 and 13)	2,000,000	2,000,000
<b>Total unrestricted net assets</b>	<b>10,281,027</b>	<b>9,199,500</b>
Temporarily restricted (Note 9)	23,200,784	15,737,824
Permanently restricted (Note 13)	831,962	830,963
<b>Total net assets</b>	<b>34,313,773</b>	<b>25,768,287</b>
<b>Total liabilities and net assets</b>	<b>\$ 37,034,435</b>	<b>\$ 31,720,946</b>

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combined Statement Of Activities  
Year Ended December 31, 2010  
(With Comparative Totals For 2009)**

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Support and revenue:					
Grants and contributions	\$ 3,370,743	\$ 26,415,787	\$ 999	\$ 29,787,529	\$ 21,869,931
De-obligations	-	(575,000)	-	(575,000)	-
Investment income, net of investment fees (Note 2)	128,666	39,027	-	167,693	226,983
Other revenue	176,039	37,516	-	213,555	96,539
Net assets released from donor restrictions – program restriction accomplished (Note 9)	18,678,268	(18,678,268)	-	-	-
<b>Total support and revenue</b>	<b>22,353,716</b>	<b>7,239,062</b>	<b>999</b>	<b>29,593,777</b>	<b>22,193,453</b>
Expenses:					
Program services:					
Grants (Note 7)	9,347,655	-	-	9,347,655	9,669,681
Salaries and benefits	5,714,205	-	-	5,714,205	5,480,595
Consultants	1,937,365	-	-	1,937,365	1,580,254
Travel	1,070,733	-	-	1,070,733	1,027,038
Office expenses	446,518	-	-	446,518	471,048
Other	383,797	-	-	383,797	324,626
<b>Total program services</b>	<b>18,900,273</b>	<b>-</b>	<b>-</b>	<b>18,900,273</b>	<b>18,553,242</b>
Fundraising:					
Salaries and benefits	66,005	-	-	66,005	117,926
Consultants	-	-	-	-	207
Travel	676	-	-	676	1,200
Office expenses	7,373	-	-	7,373	17,530
Other	802	-	-	802	3,497
<b>Total fundraising</b>	<b>74,856</b>	<b>-</b>	<b>-</b>	<b>74,856</b>	<b>140,360</b>
General and administrative:					
Salaries and benefits	2,052,630	-	-	2,052,630	2,417,036
Consultants	137,049	-	-	137,049	317,959
Travel	92,398	-	-	92,398	129,373
Office expenses	291,928	-	-	291,928	178,952
Other	649,351	-	-	649,351	683,503
<b>Total general and administrative</b>	<b>3,223,356</b>	<b>-</b>	<b>-</b>	<b>3,223,356</b>	<b>3,726,823</b>
<b>Total expenses</b>	<b>22,198,485</b>	<b>-</b>	<b>-</b>	<b>22,198,485</b>	<b>22,420,425</b>

(Continued)

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combined Statement Of Activities (Continued)  
Year Ended December 31, 2010  
(With Comparative Totals For 2009)**

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Change in net assets before other items</b>	\$ 155,231	\$ 7,239,062	\$ 999	\$ 7,395,292	\$ (226,972)
Other items:					
Realized gains (losses) on sales of investments	239,008	(23,210)	-	215,798	(349,862)
Unrealized gains on investments	687,288	122,542	-	809,830	1,468,260
Currency gain	-	124,566	-	124,566	291,087
<b>Change in net assets</b>	<b>1,081,527</b>	<b>7,462,960</b>	<b>999</b>	<b>8,545,486</b>	<b>1,182,513</b>
Net assets:					
Beginning	9,199,500	15,737,824	830,963	25,768,287	24,585,774
Ending	<u>\$ 10,281,027</u>	<u>\$ 23,200,784</u>	<u>\$ 831,962</u>	<u>\$ 34,313,773</u>	<u>\$ 25,768,287</u>

See Notes To Combined Financial Statements.

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combined Statement Of Cash Flows  
Year Ended December 31, 2010  
(With Comparative Totals For 2009)**

	2010	2009
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 8,545,486	\$ 1,182,513
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	249,219	250,689
Realized (gains) losses on sales of investments	(215,798)	349,862
Unrealized (gains) on investments	(810,861)	(1,468,260)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(4,600,183)	2,674,876
Pledges receivable	(42,061)	130,698
Prepaid expenses and other current assets	(65,560)	18,011
Translation adjustment on loans receivable	(19,186)	(51,512)
Increase (decrease) in:		
Accounts payable and accrued liabilities	37,957	(26,390)
Accrued salaries and related benefits	48,303	(66,453)
Deferred revenue	(410,709)	410,709
Grants payable	(2,907,548)	(3,309,434)
<b>Net cash (used in) provided by operating activities</b>	<b>(190,941)</b>	<b>95,309</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(24,611)	-
Purchase of investments	(3,458,195)	(2,000,740)
Proceeds from sale of investments	3,601,428	5,215,471
Issuance of loans receivable	(200,000)	-
Collections on loans receivable	60,343	-
<b>Net cash (used in) provided by investing activities</b>	<b>(21,035)</b>	<b>3,214,731</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loan payable	-	200,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>200,000</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(211,976)</b>	<b>3,510,040</b>
<b>Cash And Cash Equivalents:</b>		
Beginning	5,620,878	2,110,838
Ending	<b>\$ 5,408,902</b>	<b>\$ 5,620,878</b>

See Notes To Combined Financial Statements.

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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**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 \$350,636 at December 31, 2010, 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**

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

Recent accounting pronouncements: In January 2010, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provided accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The IYF adopted ASU 2010-06 during the year ended December 31, 2010.

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, 2010.

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. 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, 2010.

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. The 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 percent.

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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

Grants payable: Non-federal 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. Federal grants obligated by IYF are recognized as payables and expenses when the request for payment is received from the subrecipient.

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.

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 (IRC). 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 percent 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 2007.

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, 2009, from which the summarized information was derived.

Subsequent events: IFY evaluated subsequent events through March 24, 2011, which is the date combined financial statements were available to be issued.

**Note 2. Investments**

Investments consist of the following at December 31, 2010:

	Market Value
Current:	
U.S. Government bonds	\$ 1,382,850
Corporate debt securities	475,359
Corporate equity securities	852,134
Fixed-income mutual funds	838,158
Equity mutual funds	3,744,782
Fixed-income annuities	125,746
Commodities	383,002
	<u>7,802,031</u>
Long-term:	
Private equity investments	310,018
	<u>\$ 8,112,049</u>

Interest and dividend income of \$167,693 is net of investment expenses totaling \$27,600.

**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, 2010. Total discount for the year ended December 31, 2010, was \$130,443.

Following is a summary, by years, of grants receivable as of December 31, 2010:

Years Ending December 31,	
2011	\$ 17,950,625
2012	3,261,083
	<u>21,211,708</u>
Less current maturities	17,950,625
	<u>\$ 3,261,083</u>

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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**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, 2010, using current interest rates of 4.0 percent. Total discount for the year ended December 31, 2010, was \$192.

Following is a summary, by years, of pledges receivable as of December 31, 2010:

Year Ending December 31,	
2011	\$ 332,096
2012	4,808
	336,904
Less current maturities	332,096
	\$ 4,808

**Note 5. Property And Equipment**

Property and equipment consist of the following at December 31, 2010:

Land	\$ 324,980
Building and improvements	3,175,362
Furniture and equipment	429,977
	3,930,319
Less depreciation and amortization	(2,763,943)
	\$ 1,166,376

Total depreciation expense for the year ended December 31, 2010, was \$249,219.

**Note 6. Loans Receivable**

The loans receivable are between IYF and the non-profit organizations set forth below. Funding for the first three 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. Funding for the fourth loan was provided by the Argidius Foundation as part of the Entra 21 program and is intended to provide micro finance loans to youths who have successfully completed the program.

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

Community Collective Society for Integrated Development	\$ 307,663
Center for Community Development and Education	124,610
Hambantota District Chamber of Commerce	29,369
Fundación León 2000	200,000
	\$ 661,642

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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**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 2010 totaled \$10,720,940.

The grants payable balance at December 31, 2010, 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,

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2011	\$ 1,546,221
2012	110,884
	<hr/>
	1,657,105
Less current maturities	1,546,221
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	\$ 110,884
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**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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**Note 7. Grants Payable And Expense (Continued)**

Information concerning the geographic locations of grant expenses for 2010 is summarized as follows for the year ended December 31, 2010:

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Antigua/Barbuda	\$	108,602
Argentina		459,266
Australia		10,000
Brazil		129,010
Chile		327,670
Colombia		6,271
Dominican Republic		148,874
Ecuador		143,277
El Salvador		175,187
Ghana		10,000
Grenada		170,683
Guatemala		46,942
India		48,441
Indonesia		33,688
Jamaica		385,802
Jordan		1,209,438
Kenya		591,416
Macedonia		28,871
Mexico		548,518
Morocco		4,424
Nicaragua		76,047
Nigeria		335,000
Paraguay		101,999
Peru		1,346,534
Philippines		2,388,231
Portugal		10,000
Senegal		131,461
South Africa		200,000
Spain		10,000
Sri Lanka		25,464
St. Lucia		83,714
Tanzania		8,154
Uganda		27,349
United States		45,000
Venezuela		55,625
Zambia		27,657
Zimbabwe		10,000
Other		146,960
De-obligated Grants		(267,920)
	\$	<u>9,347,655</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, 2010, due to the purpose restriction being accomplished, or the time restriction being met.

Temporarily restricted net assets at December 31, 2010, are available for the following programs:

	Balance December 31, 2009	Additions	De-Obligated	Released	Balance December 31, 2010
Purpose restricted:					
Education	\$ 3,030,631	\$ 11,161,661	\$ -	\$ 5,773,319	\$ 8,418,973
Employability	9,744,113	12,728,874	-	9,237,969	13,235,018
Health education	680,799	271,811	-	826,687	125,923
Leadership and engagement	1,788,551	2,131,749	-	2,540,288	1,380,012
Other	474,730	422,133	575,000	290,005	31,858
Time restricted – general support	19,000	-	-	10,000	9,000
	<u>\$ 15,737,824</u>	<u>\$ 26,716,228</u>	<u>\$ 575,000</u>	<u>\$ 18,678,268</u>	<u>\$ 23,200,784</u>

**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 \$443,038), 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 expense under the plan, other than its annual contribution, which was \$3,769 in 2010. This contribution was calculated as a percentage of employees' salaries in excess of IRC limitations.

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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**Note 11. Contingency**

IYF received approximately 68 percent 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 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and mutual funds.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, government obligations and over-the-counter derivatives.

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  
And Resources For Youth, Inc.**

**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, 2010:

Asset Category	Level 1	Level 2	Level 3	Total
<b>Equity mutual funds</b>				
Domestic Large Cap Growth	\$ 559,453	\$ -	\$ -	\$ 559,453
Domestic Small Cap Value	616,347	-	-	616,347
Domestic Small Cap Growth	950,440	-	-	950,440
Domestic Large Cap Value	448,712	-	-	448,712
International Developed Large Cap	447,844	-	-	447,844
Emerging Markets	461,801	-	-	461,801
International Developed Small Cap	260,185	-	-	260,185
<b>U.S. Government bonds</b>	-	1,357,554	-	1,357,554
<b>Municipal Bonds - Ohio State</b>	-	25,296	-	25,296
<b>Corporate equity securities</b>				
Consumer discretionary	51,095	-	-	51,095
Consumer staples	42,031	-	-	42,031
Energy	92,507	-	-	92,507
Finance	46,172	-	-	46,172
Health care	128,520	-	-	128,520
Industrials	135,637	-	-	135,637
Information Technology	356,172	-	-	356,172
<b>Fixed-income mutual funds</b>	838,158	-	-	838,158
<b>Corporate debt securities</b>				
Finance	-	29,772	-	29,772
Automotive	-	57,353	-	57,353
Basic Industry	-	87,397	-	87,397
Energy	-	95,022	-	95,022
Media	-	57,638	-	57,638
Telecom	-	54,188	-	54,188
Utilities	-	93,989	-	93,989
<b>Private equity investments</b>				
Buy out	-	-	91,986	91,986
Venture Capital	-	-	170,809	170,809
Real Estate	-	-	47,223	47,223
<b>Fixed-income annuities</b>	-	125,746	-	125,746
<b>Commodities</b>				
Natural Resources	190,074	-	-	190,074
Hard Assets	192,928	-	-	192,928
<b>Total</b>	<b>\$ 5,818,076</b>	<b>\$ 1,983,955</b>	<b>\$ 310,018</b>	<b>\$ 8,112,049</b>

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

**Note 12. Fair Value Measurements (Continued)**

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended December 31, 2009 and 2010:

	Private Equity Investments
Beginning balance as of December 31, 2009	\$ 240,034
Unrealized and realized gains	66,143
Earned income	3,841
Purchases/distributions	-
Balance as of December 31, 2010	<u>\$ 310,018</u>

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

Investment	Fair Value At 12/31/2010	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity investments	\$ 310,018	\$ -	None	Locked into a 10-year period
<b>Total</b>	<u>\$ 310,018</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.

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

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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

Endowment net asset composition by type of fund as of December 31, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 106,484	\$ 831,962	\$ 938,446
Board designated endowment funds	2,000,000	-	-	2,000,000
<b>Total</b>	<b>\$ 2,000,000</b>	<b>\$ 106,484</b>	<b>\$ 831,962</b>	<b>\$ 2,938,446</b>

Changes in endowment net assets for the year ended December 31, 2010, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,000,000	\$ -	\$ 830,963	\$ 2,830,963
Investment earnings:				
Interest and dividends	-	7,153	-	7,153
<b>Total</b>	<b>-</b>	<b>7,153</b>	<b>-</b>	<b>7,153</b>
Net present value adjustment for pledges receivable	-	-	999	999
Net unrealized/realized gains	-	99,331	-	99,331
	-	99,331	999	100,330
Endowment net assets, end of year	<b>\$ 2,000,000</b>	<b>\$ 106,484</b>	<b>\$ 831,962</b>	<b>\$ 2,938,446</b>

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 percent. The investment manager shall rank in the top 50 percent 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.

**International Youth Foundation  
And Resources For Youth, Inc.**

**Notes To Combined Financial Statements**

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

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.

The board designated endowment was created to generate undesignated income for operations. Therefore, all income earned is recorded as unrestricted and undesignated.



## 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*

Baltimore, Maryland  
March 24, 2011

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combining Statement Of Financial Position  
December 31, 2010**

<b>Assets</b>	IYF	RFY	Eliminations	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 5,384,902	\$ 24,000	\$ -	\$ 5,408,902
Investments	7,802,031	-	-	7,802,031
Grants receivable, net	17,950,625	-	-	17,950,625
Pledges receivable, net	332,096	-	-	332,096
Prepaid expenses and other current assets	128,029	8,825	-	136,854
Intercompany receivables	1,082,621	-	(1,082,621)	-
<b>Total current assets</b>	<b>32,680,304</b>	<b>32,825</b>	<b>(1,082,621)</b>	<b>31,630,508</b>
 Property And Equipment, net	 54,734	 1,111,642	 -	 1,166,376
 <b>Noncurrent Assets</b>				
Investments – long term, net	310,018	-	-	310,018
Grants receivable, net of current maturities	3,261,083	-	-	3,261,083
Pledges receivable, net of current maturities	4,808	-	-	4,808
Loans receivable	661,642	-	-	661,642
<b>Total noncurrent assets</b>	<b>4,237,551</b>	<b>-</b>	<b>-</b>	<b>4,237,551</b>
 <b>Total assets</b>	 <b>\$ 36,972,589</b>	 <b>\$ 1,144,467</b>	 <b>\$ (1,082,621)</b>	 <b>\$ 37,034,435</b>

<b>Liabilities And Net Assets</b>	IYF	RFY	Eliminations	Total
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 448,737	\$ -	\$ -	\$ 448,737
Accrued salaries and related benefits	414,820	-	-	414,820
Deferred revenue	-	-	-	-
Grants payable	1,546,221	-	-	1,546,221
Intercompany payables	-	1,082,621	(1,082,621)	-
<b>Total current liabilities</b>	<b>2,409,778</b>	<b>1,082,621</b>	<b>(1,082,621)</b>	<b>2,409,778</b>
<b>Noncurrent Liabilities</b>				
Loan payable	200,000	-	-	200,000
Grants payable, net of current maturities	110,884	-	-	110,884
<b>Total liabilities</b>	<b>2,720,662</b>	<b>1,082,621</b>	<b>(1,082,621)</b>	<b>2,720,662</b>
<b>Net Assets</b>				
<b>Unrestricted</b>				
Undesignated	1,351,852	61,846	-	1,413,698
Designated for reserve	6,867,329	-	-	6,867,329
Designated for endowment	2,000,000	-	-	2,000,000
<b>Total unrestricted net assets</b>	<b>10,219,181</b>	<b>61,846</b>	<b>-</b>	<b>10,281,027</b>
Temporarily restricted	23,200,784	-	-	23,200,784
Permanently restricted	831,962	-	-	831,962
<b>Total net assets</b>	<b>34,251,927</b>	<b>61,846</b>	<b>-</b>	<b>34,313,773</b>
<b>Total liabilities and net assets</b>	<b>\$ 36,972,589</b>	<b>\$ 1,144,467</b>	<b>\$ (1,082,621)</b>	<b>\$ 37,034,435</b>

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combining Statement Of Activities  
Year Ended December 31, 2010**

	IYF	RFY	Eliminations	Total
<b>Unrestricted revenue:</b>				
Grants and contributions	\$ 3,370,743	\$ -	\$ -	\$ 3,370,743
Investment income, net of investment fees	128,666	-	-	128,666
Other revenue	151,226	511,612	(486,799)	176,039
Net assets released from donor restrictions	18,678,268	-	-	18,678,268
<b>Total unrestricted revenue</b>	<b>22,328,903</b>	<b>511,612</b>	<b>(486,799)</b>	<b>22,353,716</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Grants	9,347,655	-	-	9,347,655
Salaries and benefits	5,714,205	-	-	5,714,205
Consultants	1,937,365	-	-	1,937,365
Travel	1,070,733	-	-	1,070,733
Office expenses	446,518	-	-	446,518
Other	383,797	-	-	383,797
<b>Total program services</b>	<b>18,900,273</b>	<b>-</b>	<b>-</b>	<b>18,900,273</b>
<b>Fundraising:</b>				
Salaries and benefits	66,005	-	-	66,005
Consultants	-	-	-	-
Travel	676	-	-	676
Office expenses	7,373	-	-	7,373
Other	802	-	-	802
<b>Total fundraising</b>	<b>74,856</b>	<b>-</b>	<b>-</b>	<b>74,856</b>
<b>General and administrative:</b>				
Salaries and benefits	2,052,630	-	-	2,052,630
Consultants	137,049	-	-	137,049
Travel	92,398	-	-	92,398
Office expenses	254,218	524,509	(486,799)	291,928
Other	649,351	-	-	649,351
<b>Total general and administrative</b>	<b>3,185,646</b>	<b>524,509</b>	<b>(486,799)</b>	<b>3,223,356</b>
<b>Total expenses</b>	<b>22,160,775</b>	<b>524,509</b>	<b>(486,799)</b>	<b>22,198,485</b>
<b>Change in unrestricted net assets before other items</b>	<b>168,128</b>	<b>(12,897)</b>	<b>-</b>	<b>155,231</b>
<b>Other items:</b>				
Realized gains on sales of investments	239,008	-	-	239,008
Unrealized gains on investments	687,288	-	-	687,288
<b>Change in unrestricted net assets</b>	<b>\$ 1,094,424</b>	<b>\$ (12,897)</b>	<b>\$ -</b>	<b>\$ 1,081,527</b>

(Continued)

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combining Statement Of Activities (Continued)  
Year Ended December 31, 2010**

	IYF	RFY	Eliminations	Total
<b>Temporarily restricted revenue:</b>				
Grants and contributions	\$ 26,415,787	\$ -	\$ -	\$ 26,415,787
De-Obligations	(575,000)	-	-	(575,000)
Dividends and interest income, net of investment fees	39,027	-	-	39,027
Other revenue	37,516	-	-	37,516
Net assets released from donor restrictions	(18,678,268)	-	-	(18,678,268)
<b>Change in temporarily restricted net assets before other items</b>	<b>7,239,062</b>	<b>-</b>	<b>-</b>	<b>7,239,062</b>
<b>Other items:</b>				
Realized losses on sales of investments	(23,210)	-	-	(23,210)
Unrealized gains on investments	122,542	-	-	122,542
Currency gain	124,566	-	-	124,566
<b>Change in temporarily restricted net assets</b>	<b>\$ 7,462,960</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,462,960</b>
<b>Permanently restricted revenue:</b>				
Grants and contributions	\$ 999	\$ -	\$ -	\$ 999
<b>Change in permanently restricted net assets</b>	<b>\$ 999</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 999</b>
<b>Change in net assets</b>	<b>\$ 8,558,383</b>	<b>\$ (12,897)</b>	<b>\$ -</b>	<b>\$ 8,545,486</b>

**International Youth Foundation  
And Resources For Youth, Inc.**

**Combining Statement Of Changes In Net Assets  
Year Ended December 31, 2010**

	IYF	RFY	Eliminations	Total
<b>Unrestricted net assets:</b>				
Net assets at beginning of year	\$ 9,124,757	\$ 74,743	\$ -	\$ 9,199,500
Change in unrestricted net assets	1,094,424	(12,897)	-	1,081,527
<b>Net assets at end of year</b>	<b>\$ 10,219,181</b>	<b>\$ 61,846</b>	<b>\$ -</b>	<b>\$ 10,281,027</b>
<b>Temporarily restricted net assets:</b>				
Net assets at beginning of year	\$ 15,737,824	\$ -	\$ -	\$ 15,737,824
Change in temporarily restricted net assets	7,462,960	-	-	7,462,960
<b>Net assets at end of year</b>	<b>\$ 23,200,784</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,200,784</b>
<b>Permanently restricted net assets:</b>				
Net assets at beginning of year	\$ 830,963	\$ -	\$ -	\$ 830,963
Change in permanently restricted net assets	999	-	-	999
<b>Net assets at end of year</b>	<b>\$ 831,962</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 831,962</b>