

PAUL ANDERSON YOUTH HOME, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Officers
Paul Anderson Youth Home, Inc.
Vidalia, Georgia

We have audited the accompanying financial statements of the Paul Anderson Youth Home, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Paul Anderson Youth Home, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Serotta Maddocks Evans & Co.

SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia

June 18, 2013

PAUL ANDERSON YOUTH HOME, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 197,337	\$ 768,302
Contributions in transit	69,294	156,448
Contributions receivable	14,000	13,750
Marketable securities	507,348	109,688
Other assets	6,778	6,899
Total Current Assets	794,757	1,055,087
NONCURRENT ASSETS		
Cash and cash equivalents, restricted for long-term purposes	8,094	251,576
Marketable securities held for endowment purposes	410,432	166,950
Property and equipment, net	2,106,030	1,957,656
Total Noncurrent Assets	2,524,556	2,376,182
 Total Assets	 \$ 3,319,313	 \$ 3,431,269
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 104,481	\$ 70,395
NET ASSETS		
Unrestricted	2,722,733	2,841,228
Temporarily restricted	73,573	101,120
Permanently restricted	418,526	418,526
Total Net Assets	3,214,832	3,360,874
 Total Liabilities and Net Assets	 \$ 3,319,313	 \$ 3,431,269

SEE NOTES TO FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 863,410	\$ 277,570	\$ -	\$ 1,140,980
Fund raising activities	269,566	-	-	269,566
Net realized and unrealized gain on marketable securities	6,053	359	-	6,412
Investment income	26,881	1,712	-	28,593
Parental assistance	199,000	-	-	199,000
Other	8,229	-	-	8,229
Net assets released from restriction	307,188	(307,188)	-	-
	<u>1,680,327</u>	<u>(27,547)</u>	<u>-</u>	<u>1,652,780</u>
Expenses				
Program services	1,348,369	-	-	1,348,369
Management and general	270,100	-	-	270,100
Fund raising activities	180,353	-	-	180,353
	<u>1,798,822</u>	<u>-</u>	<u>-</u>	<u>1,798,822</u>
Change in net assets	(118,495)	(27,547)	-	(146,042)
Net assets, beginning of year	<u>2,841,228</u>	<u>101,120</u>	<u>418,526</u>	<u>3,360,874</u>
Net assets, end of year	<u>\$ 2,722,733</u>	<u>\$ 73,573</u>	<u>\$ 418,526</u>	<u>\$ 3,214,832</u>

SEE NOTES TO FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 1,724,565	\$ 105,000	\$ 50,938	\$ 1,880,503
Fund raising activities	293,653	-	-	293,653
Net realized and unrealized loss on marketable securities	(138,957)	(1,841)	-	(140,798)
Investment income	22,597	1	-	22,598
Parental assistance	196,772	-	-	196,772
Other	25,852	-	-	25,852
Net assets released from restriction	97,070	(97,070)	-	-
	<u>2,221,552</u>	<u>6,090</u>	<u>50,938</u>	<u>2,278,580</u>
Expenses				
Program services	1,281,945	-	-	1,281,945
Management and general	272,203	-	-	272,203
Fund raising activities	196,632	-	-	196,632
	<u>1,750,780</u>	<u>-</u>	<u>-</u>	<u>1,750,780</u>
Change in net assets	470,772	6,090	50,938	527,800
Net assets, beginning of year	<u>2,370,456</u>	<u>95,030</u>	<u>367,588</u>	<u>2,833,074</u>
Net assets, end of year	<u>\$ 2,841,228</u>	<u>\$ 101,120</u>	<u>\$ 418,526</u>	<u>\$ 3,360,874</u>

SEE NOTES TO FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services	Supporting Services		Total
	Youth Home and School	Management and General	Fund Raising	
Salaries	\$ 654,282	\$ 141,112	\$ 67,649	\$ 863,043
Fringe benefits	57,762	8,539	354	66,655
Payroll taxes	38,447	19,624	5,299	63,370
Total compensation and benefits	<u>750,491</u>	<u>169,275</u>	<u>73,302</u>	<u>993,068</u>
Automobile	17,693	2,237	2,611	22,541
Bank charges	10,199	4,149	-	14,348
Clothing and personal	1,421	-	-	1,421
Computer	713	3,706	-	4,419
Continuing education	3,046	285	-	3,331
Contract labor	3,209	4,991	-	8,200
Depreciation	137,679	-	-	137,679
Dues and fees	6,705	4,151	5,780	16,636
Equipment	2,266	-	1,000	3,266
Food	73,473	7,992	5,857	87,322
Gifts	4,614	-	7,053	11,667
Graduation	1,366	-	-	1,366
Insurance	42,828	2,513	-	45,341
Interest	-	687	-	687
Parental resources	124,683	398	18,730	143,811
Medical	2,717	-	-	2,717
Miscellaneous	5,172	190	3,720	9,082
Outreach	2,491	-	-	2,491
Postage and freight	90	4,106	6,111	10,307
Printing	34	510	5,345	5,889
Professional fees	35,186	23,685	31,500	90,371
Rental	3,273	1,547	-	4,820
Repairs and maintenance	25,048	15,819	-	40,867
Staff development	4,237	4,334	-	8,571
Supplies	21,894	4,895	11,813	38,602
Telephone	8,096	400	-	8,496
Travel	2,725	2,758	7,531	13,014
Utilities	57,020	9,174	-	66,194
Loss on the disposal of equipment	-	2,298	-	2,298
	<u>597,878</u>	<u>100,825</u>	<u>107,051</u>	<u>805,754</u>
	<u>\$ 1,348,369</u>	<u>\$ 270,100</u>	<u>\$ 180,353</u>	<u>\$ 1,798,822</u>

SEE NOTES TO FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	Program Services	Supporting Services		Total
	Youth Home and School	Management and General	Fund Raising	
Salaries	\$ 619,676	\$ 154,057	\$ 38,947	\$ 812,680
Fringe benefits	40,972	12,688	-	53,660
Payroll taxes	43,670	13,739	2,101	59,510
Total compensation and benefits	<u>704,318</u>	<u>180,484</u>	<u>41,048</u>	<u>925,850</u>
Automobile	15,129	1,245	3,461	19,835
Bank charges	7,149	4,133	-	11,282
Clothing and personal	1,386	-	-	1,386
Computer	923	5,108	-	6,031
Continuing education	1,027	-	-	1,027
Contract labor	1,370	4,189	-	5,559
Depreciation	146,905	-	-	146,905
Dues and fees	6,432	2,293	7,178	15,903
Equipment	1,291	-	459	1,750
Food	68,304	2,252	14,517	85,073
Gifts	3,882	228	10,632	14,742
Graduation	389	-	-	389
Insurance	41,091	1,294	-	42,385
Interest	-	161	-	161
Parental resources	56,589	5,441	5,199	67,229
Medical	1,747	-	-	1,747
Miscellaneous	5,814	914	3,637	10,365
Outreach	9,311	-	-	9,311
Postage and freight	132	3,852	8,704	12,688
Printing	290	299	15,940	16,529
Professional fees	82,205	21,747	62,195	166,147
Rental	754	4,656	-	5,410
Repairs and maintenance	35,274	12,293	140	47,707
Staff development	809	4,208	-	5,017
Supplies	16,173	4,065	18,536	38,774
Telephone	8,097	890	112	9,099
Travel	9,233	3,605	4,874	17,712
Utilities	55,921	8,846	-	64,767
	<u>577,627</u>	<u>91,719</u>	<u>155,584</u>	<u>824,930</u>
	<u>\$ 1,281,945</u>	<u>\$ 272,203</u>	<u>\$ 196,632</u>	<u>\$ 1,750,780</u>

SEE NOTES TO FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (146,042)	\$ 527,800
Adjustments to reconcile change in net assets to cash provided by operating activities		
Realized/unrealized (gains) losses on marketable securities	(6,412)	140,798
Loss on the disposal of equipment	2,298	-
Depreciation	137,679	146,905
Changes in:		
Contributions in transit	87,154	(120,846)
Contributions receivable	(250)	(13,750)
Other assets	121	297
Accounts payable and accrued expenses	34,086	7,367
Contributions restricted for long-term purposes	-	(50,938)
	<u>108,634</u>	<u>637,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(1,062,276)	(82,468)
Proceeds from sale of marketable securities	671,028	181,555
Purchases of property and equipment	(288,351)	(87,902)
Proceeds from sale of property and equipment	-	6,200
Proceeds (purchase) of cash restricted for endowment	243,482	(51,981)
Proceeds from sale (purchase) of marketable securities for endowments	(243,482)	1,043
	<u>(679,599)</u>	<u>(33,553)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	-	50,938
	<u>-</u>	<u>50,938</u>
Net cash provided by financing activities		
	<u>-</u>	<u>50,938</u>
Net increase (decrease) in cash and cash equivalents	(570,965)	655,018
Cash and cash equivalents, beginning of year	<u>768,302</u>	<u>113,284</u>
Cash and cash equivalents, end of year	<u>\$ 197,337</u>	<u>\$ 768,302</u>

SEE NOTES TO FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION - The Paul Anderson Youth Home is a residential home located in Vidalia, Georgia providing Christian rehabilitation for young men, predominantly from the Southeastern United States, seeking an alternative to incarceration. Continuing the mission set by Paul Anderson and his wife, Glenda, in 1961, the Youth Home seeks to teach young men that they are created by God and have a special purpose in life. We believe that young men with self-confidence and Christian character will become "givers" rather than "takers," assets rather than liabilities. The Youth Home also provides help for parents of troubled teenagers, through resources, counseling, and referrals.

The Youth Home's unique program is designed to develop each young man spiritually, mentally, physically, emotionally, and socially. The daily curriculum combines Biblical teaching and academic training in our accredited high school, incorporating physical fitness, emotional development, and social awareness, while instilling a strong work ethic. The Youth Home's staff provides over 275 combined years of experience ministering and counseling young men and their families.

The Youth Home specializes in character building, which is evident in our over 90% success rate. The low recidivism rate of Youth Home alumni is attributed to our unique program as well as continued support from the Youth Home after graduation.

The Youth Home is a Christian charity. To ensure the Youth Home's Christian foundation is not jeopardized, neither local, state, nor federal funds are accepted. We depend on the support of individuals, corporations, organizations, churches, and foundations who partner with the Youth Home to provide a second chance for the young men and their families who are entrusted to this ministry. To support the Youth Home you can donate online, participate in our annual Golf Classic, make purchases from our product lines, select from our planned giving opportunities, or partner in prayer.

BASIS OF ACCOUNTING - The financial statements of the Youth Home are prepared on the accrual basis of accounting and, accordingly, reflect all significant payables and other liabilities.

BASIS OF PRESENTATION - The Youth Home prepares its financial statements in accordance with generally accepted accounting principles (GAAP). Under GAAP the Youth Home is required to report information regarding its financial position and activities to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Youth Home and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Youth Home. Generally, the donors of these assets permit the Youth Home to use the income earned on any related investments for general or specific purposes.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

USE OF ESTIMATES - The preparation of financial statements in accordance with generally accepted accounting principles requires management of the Youth Home to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, the Youth Home considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK - The Youth Home maintains cash balances at several financial institutions located in the United States of America. Some accounts are fully insured by the Federal Deposit Insurance Corporation and some are insured up to \$250,000 per institution. At December 31, 2012 and 2011, the Youth Home's uninsured cash balances totaled approximately \$18,000 and \$671,000, respectively.

MARKETABLE SECURITIES - The Youth Home carries investments in both debt and equity securities at their fair values. Securities donated to the Youth Home are stated at fair value at the date of donation. Unrealized gains or losses resulting from changes in fair values are included with realized gains or losses in the financial statements and are included in the change in net assets.

PROPERTY AND EQUIPMENT - Property and equipment purchased by the Youth Home is stated at cost. Property and equipment donated to the Youth Home is stated at fair value at the date of donation. Depreciation is reported on property and equipment used in the operations of the Youth Home. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	5 - 20
Buildings and improvements	5 - 40
Furniture, equipment and vehicles	3 - 10

INCOME TAX STATUS - The Youth Home is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Youth Home and recognize a tax liability (or asset) if the Youth Home has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Youth Home, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Youth Home is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

At December 31, 2012, the following years are subject to examination by major tax jurisdictions:

Federal	2009 - 2011
Georgia	2009 - 2011

DONATED SERVICES - No amounts have been reflected in the financial statements for donated services. Numerous volunteers have donated significant amounts of time to the Youth Home's program services, but the criteria for recognition of these services under GAAP has not been met.

CONTRIBUTIONS - Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Youth Home reports gifts of cash and other assets as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restriction. Contributions made to the Youth Home are considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

The Youth Home reports gifts of goods and equipment as unrestricted contributions when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in temporarily restricted net assets until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period.

INVESTMENT INCOME AND GAINS - Investment income restricted by donors are reported as increases in unrestricted assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

ALLOCATION OF EXPENSES - The Youth Home allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs and support services are directly allocated thereto. Other expenses that are common to several functions are allocated by percentages determined by management. These percentages are determined primarily based on the estimated staff hours devoted to each program or support service.

SUBSEQUENT EVENTS - The Youth Home has evaluated subsequent events through June 18, 2013, the date the financial statements were available to be issued.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - MARKETABLE SECURITIES

Marketable securities, carried at fair value, consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Equities	\$ -	\$ 241,140
Energy	113,361	-
Materials	44,789	-
Industrials	41,117	-
Consumer staples	80,322	-
Health care	51,539	-
Information technology	63,073	-
Mutual funds, equity	87,121	35,498
American depository receipt funds	101,794	-
Equity exchange traded funds	80,050	-
Fixed income exchange traded funds	218,040	-
Other	36,574	-
	<u>\$ 917,780</u>	<u>\$ 276,638</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 150,558	\$ 150,558
Buildings and improvements	2,935,340	2,718,791
Furniture, equipment, and vehicles	1,626,206	1,577,800
Construction in progress, non-depreciable	-	43,658
	<u>4,712,104</u>	<u>4,490,807</u>
Less accumulated depreciation	<u>2,606,074</u>	<u>2,533,151</u>
	<u>\$2,106,030</u>	<u>\$1,957,656</u>

NOTE 4 - ENDOWMENT FUNDS

The Youth Home interprets 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, the Youth Home classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT FUNDS (Continued)

The Youth Home has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Youth Home's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is based on a three year moving average based on the type of investment. Actual returns in any given year may vary from these averages. To satisfy its long-term rate-of-return objectives, the Youth Home 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 Youth Home targets a diversified asset allocation that places an emphasis on achieving long-term return objectives with prudent risk parameters.

The description of the Youth Home's endowment by net asset class is: All endowment assets are donor-restricted as permanently restricted net assets.

The spending policy of the Youth Home, assuming that the fair value of endowment fund assets exceed the original endowment amount, is that up to 50% of the investment income earned by endowment fund investments, net of related expenses and of any donor-imposed restrictions on endowment income may be expended for the donor's required purpose, if any. Investment income includes all interest, dividends and realized gains from endowment fund investments.

Changes in the endowment net assets (deficit) for the years ended December 31, 2012 and 2011 are as follows:

<u>2012</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (182,057)	\$ -	\$ 418,526	\$ 236,469
Investment returns:				
Investment income	2,295	-	-	2,295
Net appreciation (realized and unrealized)	8,846	-	-	8,846
Endowment net assets, end of year	\$ (170,916)	\$ -	\$ 418,526	\$ 247,610

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT FUNDS (Continued)

<u>2011</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (91,217)	\$ 1,453	\$ 367,588	\$ 277,824
Investment returns:				
Investment income	1,302	-	-	1,302
Net depreciation (realized and unrealized)	(92,142)	(1,453)	-	(93,595)
Contributions	-	-	50,938	50,938
Endowment net assets, end of year	\$ (182,057)	\$ -	\$ 418,526	\$ 236,469

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Film production	\$ 3,220	\$ 75,000
Scholarships	3,562	3,562
Museum building activities	24,629	22,558
Property improvements	39,663	-
Ski trip	2,499	-
	<u>\$ 73,573</u>	<u>\$ 101,120</u>

NOTE 6 - FUND RAISING ACTIVITIES

Revenues and direct expenses from fund raising activities were as follows for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Revenues		
Golf tournament	\$ 125,205	\$ 132,565
Bike ride	81,726	108,678
Christmas play	62,635	52,410
	<u>269,566</u>	<u>293,653</u>
Expenses		
Golf tournament	14,482	14,725
Bike ride	8,461	19,893
Christmas play	10,042	11,988
	<u>32,985</u>	<u>46,606</u>
Net profit	<u>\$ 236,581</u>	<u>\$ 247,047</u>

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Youth Home has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Equities, mutual funds, depository receipt funds, exchange traded funds and other funds - Valued at quoted market prices at December 31, 2012 and 2011.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Youth Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31 are as follows:

	<u>Fair Value</u>	<u>Quoted Market Prices in Active Markets for Identical Assets (Level 1)</u>
<u>2012</u>		
Equities		
Energy	\$ 113,361	\$ 113,361
Materials	44,789	44,789
Industrials	41,117	41,117
Consumer staples	80,322	80,322
Health care	51,539	51,539
Information technology	63,073	63,073
Mutual funds, equity	87,121	87,121
American depository receipt funds	101,794	101,794
Equity exchange traded funds	80,050	80,050
Fixed income exchange traded funds	218,040	218,040
Other	36,574	36,574
	<u>\$ 917,780</u>	<u>\$ 917,780</u>
<u>2011</u>		
Equities	\$ 241,140	\$ 241,140
Mutual funds, equity	35,498	35,498
	<u>\$ 276,638</u>	<u>\$ 276,638</u>

NOTE 8 - RETIREMENT PLAN

The Youth Home sponsors a SIMPLE Individual Retirement Account plan that covers all full-time employees who have met certain service requirements. Employees are allowed to defer up to \$11,500 with the Youth Home matching the deferral up to 1% of compensation for the years ended December 31, 2012 and 2011. Retirement plan expense was approximately \$11,000 and \$6,000 for 2012 and 2011, respectively.

NOTE 9 - CONCENTRATION OF CONTRIBUTIONS

Approximately 31% and 56% of contributions were received from two donors during 2012 and 2011.