

PAUL ANDERSON YOUTH HOME, INC.
AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 16

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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 consolidated financial statements of the Paul Anderson Youth Home, Inc. (a nonprofit organization) and affiliate (the "Youth Home"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Paul Anderson Youth Home, Inc. and affiliate as of December 31, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Serotta Maddocks Evans & Co.".

SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia

May 11, 2016

PAUL ANDERSON YOUTH HOME, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 89,892	\$ 108,574
Contributions in transit	54,443	157,560
Contributions receivable	10,664	10,673
Marketable securities	45,703	203,586
Other assets	8,163	9,299
Total Current Assets	208,865	489,692
NONCURRENT ASSETS		
Cash and cash equivalents, restricted for long-term purposes	218,937	79,304
Marketable securities held for endowment purposes	-	345,307
Investment property held for sale	80,000	116,000
Property and equipment, net	2,370,771	2,082,995
Total Noncurrent Assets	2,669,708	2,623,606
Total Assets	\$ 2,878,573	\$ 3,113,298
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 62,707	\$ 107,836
NET ASSETS		
Unrestricted	2,311,442	2,474,259
Temporarily restricted	78,729	106,592
Permanently restricted	425,695	424,611
Total Net Assets	2,815,866	3,005,462
Total Liabilities and Net Assets	\$ 2,878,573	\$ 3,113,298

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 1,562,614	\$ 20,000	\$ 1,084	\$ 1,583,698
Family Strong Center	22,672	-	-	22,672
Fund raising activities	399,014	-	-	399,014
Net realized and unrealized gain (loss) on marketable securities	(55,407)	2,516	-	(52,891)
Loss on the disposal of property held for sale	(36,854)	-	-	(36,854)
Investment income	15,458	1,214	-	16,672
Parental assistance	230,720	-	-	230,720
Other	21,491	-	-	21,491
Net assets released from restriction	51,593	(51,593)	-	-
	<u>2,211,301</u>	<u>(27,863)</u>	<u>1,084</u>	<u>2,184,522</u>
Expenses				
Program services	1,733,290	-	-	1,733,290
Management and general	362,547	-	-	362,547
Fund raising activities	278,281	-	-	278,281
	<u>2,374,118</u>	<u>-</u>	<u>-</u>	<u>2,374,118</u>
Change in net assets	(162,817)	(27,863)	1,084	(189,596)
Net assets, beginning of year	<u>2,474,259</u>	<u>106,592</u>	<u>424,611</u>	<u>3,005,462</u>
Net assets, end of year	<u><u>\$ 2,311,442</u></u>	<u><u>\$ 78,729</u></u>	<u><u>\$ 425,695</u></u>	<u><u>\$ 2,815,866</u></u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Contributions	\$ 1,319,988	\$ -	\$ 1,135	\$ 1,321,123
Fund raising activities	409,079	-	-	409,079
Net realized and unrealized gain (loss) on marketable securities	(26,277)	4,827	-	(21,450)
Investment income	33,203	-	-	33,203
Parental assistance	230,354	-	-	230,354
Other	22,702	-	-	22,702
Net assets released from restriction	106,607	(106,607)	-	-
	<u>2,095,656</u>	<u>(101,780)</u>	<u>1,135</u>	<u>1,995,011</u>
Expenses				
Program services	1,763,916	-	-	1,763,916
Management and general	186,264	-	-	186,264
Fund raising activities	251,011	-	-	251,011
	<u>2,201,191</u>	<u>-</u>	<u>-</u>	<u>2,201,191</u>
Change in net assets	(105,535)	(101,780)	1,135	(206,180)
Net assets, beginning of year	<u>2,579,794</u>	<u>208,372</u>	<u>423,476</u>	<u>3,211,642</u>
Net assets, end of year	<u>\$ 2,474,259</u>	<u>\$ 106,592</u>	<u>\$ 424,611</u>	<u>\$ 3,005,462</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services		Total
	Youth Home and School	Management and General	Fund Raising	
Salaries	\$ 923,865	\$ 184,224	\$ 135,146	\$ 1,243,235
Fringe benefits	65,634	18,120	3,990	87,744
Payroll taxes	65,779	8,699	14,853	89,331
Total compensation and benefits	<u>1,055,278</u>	<u>211,043</u>	<u>153,989</u>	<u>1,420,310</u>
Automobile	16,617	234	2,470	19,321
Bank charges	6,275	6,722	-	12,997
Clothing and personal	4,203	-	-	4,203
Computer	19,734	9,940	-	29,674
Continuing education	9,795	1,476	-	11,271
Contract labor	21,186	7,208	-	28,394
Depreciation	147,401	-	-	147,401
Dues and fees	15,912	6,995	8,701	31,608
Equipment	3,768	-	571	4,339
Food	87,705	2,685	14,654	105,044
Gifts	4,674	-	10,678	15,352
Graduation	628	-	-	628
Insurance	64,870	6,169	-	71,039
Interest	-	1,658	-	1,658
Marketing	64,463	881	16,446	81,790
Medical	373	-	-	373
Miscellaneous	8,117	747	2,638	11,502
Outreach	2,253	-	-	2,253
Postage and freight	2,081	3,947	6,590	12,618
Printing	2,209	2,683	13,047	17,939
Professional fees	36,956	36,737	23,081	96,774
Rental	3,712	1,435	-	5,147
Repairs and maintenance	43,530	22,681	129	66,340
Staff development	1,754	9,174	-	10,928
Supplies	32,333	7,094	17,604	57,031
Telephone	12,435	523	-	12,958
Travel	4,902	3,178	7,683	15,763
Utilities	60,126	9,607	-	69,733
Loss on the disposal of equipment	-	9,730	-	9,730
	<u>678,012</u>	<u>151,504</u>	<u>124,292</u>	<u>953,808</u>
	<u>\$ 1,733,290</u>	<u>\$ 362,547</u>	<u>\$ 278,281</u>	<u>\$ 2,374,118</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services	Supporting Services		Total
	Youth Home and School	Management and General	Fund Raising	
Salaries	\$ 1,001,161	\$ 21,116	\$ 145,081	\$ 1,167,358
Fringe benefits	85,091	4,297	4,412	93,800
Payroll taxes	72,294	(1,459)	12,989	83,824
Total compensation and benefits	<u>1,158,546</u>	<u>23,954</u>	<u>162,482</u>	<u>1,344,982</u>
Automobile	16,253	702	2,132	19,087
Bank charges	8,420	6,443	-	14,863
Clothing and personal	826	-	-	826
Computer	38,521	299	-	38,820
Continuing education	3,550	700	-	4,250
Contract labor	2,300	1,457	-	3,757
Depreciation	136,819	-	-	136,819
Dues and fees	8,563	5,194	7,568	21,325
Equipment	2,622	-	431	3,053
Food	73,809	8,929	12,617	95,355
Gifts	2,896	-	11,012	13,908
Graduation	547	-	-	547
Insurance	51,223	5,930	-	57,153
Interest	-	886	-	886
Parental resources	78,981	-	9,450	88,431
Medical	901	-	-	901
Miscellaneous	4,853	626	1,682	7,161
Outreach	1,091	-	-	1,091
Postage and freight	334	4,216	9,166	13,716
Printing	381	404	9,887	10,672
Professional fees	22,290	78,712	1,000	102,002
Rental	3,617	1,706	-	5,323
Repairs and maintenance	44,548	21,547	-	66,095
Staff development	1,398	4,778	-	6,176
Supplies	27,894	4,236	15,679	47,809
Telephone	14,658	442	-	15,100
Travel	1,729	7,647	7,905	17,281
Utilities	56,346	7,456	-	63,802
	<u>605,370</u>	<u>162,310</u>	<u>88,529</u>	<u>856,209</u>
	<u>\$ 1,763,916</u>	<u>\$ 186,264</u>	<u>\$ 251,011</u>	<u>\$ 2,201,191</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (189,596)	\$ (206,180)
Adjustments to reconcile change in net assets to cash used in operating activities		
Realized/unrealized losses on marketable securities	52,891	21,450
(Gain) loss on the disposal of equipment	9,730	(1,000)
Loss on the sale of investment property	36,854	-
Depreciation	147,401	136,819
Donations of investment property held for sale	(55,000)	(116,000)
Donations of property and equipment	(284,928)	(8,121)
Changes in:		
Contributions in transit	103,117	(119,988)
Contributions receivable	9	4,502
Other assets	1,136	(1,470)
Accounts payable and accrued expenses	(45,129)	30,595
Contributions restricted for long-term purposes	(1,085)	(1,135)
	(224,600)	(260,528)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(563,337)	(832,282)
Proceeds from sale of marketable securities	668,329	1,028,483
Proceeds from sale of investment property	54,146	-
Purchases of property and equipment	(165,191)	(122,527)
Proceeds from sale of property and equipment	5,212	1,000
Purchases of cash restricted for endowment	(139,635)	(66,428)
Proceeds from sale of marketable securities for endowments	345,307	65,293
	204,831	73,539
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term purposes	1,085	1,135
	1,085	1,135
Net decrease in cash and cash equivalents	(18,684)	(185,854)
Cash and cash equivalents, beginning of year	108,574	294,428
Cash and cash equivalents, end of year	\$ 89,890	\$ 108,574

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED 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 300 combined years of experience ministering to and counseling young men and their families.

The Youth Home specializes in character building, which is evident in our over 90% success rate for those young men who graduate from the program. 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, make purchases from our product lines, select from our planned giving opportunities, participate in our fundraisers, such as the annual Golf Classic, Bike Ride and Christmas Play or partner in prayer.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Youth Home and the Paul Anderson Family Strong Center, Inc. (the "Center", a nonprofit organization). The Center was formed in May 2015 to provide outpatient services including counseling for individuals, couples, groups and families, while specializing in many areas such as play and art therapy, addiction, ADHD, anger management, depression, divorce, parenting, anxiety, trauma, and abuse. The Center is consolidated since the Youth Home has both an economic interest in the Center and control of the Center through the appointment of its governing board. All material intra-entity transactions have been eliminated.

BASIS OF ACCOUNTING - The consolidated 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 consolidated 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.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

USE OF ESTIMATES - The preparation of consolidated 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 consolidated 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 consolidated 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. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2015 and 2014, the Youth Home's uninsured cash balances totaled approximately zero and \$116,000, 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 consolidated financial statements and are included in the change in net assets.

INVESTMENT PROPERTY HELD FOR SALE - Property held for resale is stated at the estimated fair value at the time of donation.

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

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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. Paul Anderson Family Strong Center 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 consolidated 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, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated 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.

At December 31, 2015, the following years are subject to examination by major tax jurisdictions:

Federal	2012 - 2014
Georgia	2012 - 2014

DONATED SERVICES - No amounts have been reflected in the consolidated 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.

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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 May 11, 2016, the date the consolidated financial statements were available to be issued.

NOTE 2 - MARKETABLE SECURITIES

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

	<u>2015</u>	<u>2014</u>
Equities		
Energy	\$ -	\$ 21,190
Materials	-	13,953
Consumer staples	-	12,666
Financials	-	13,329
American depository receipt funds	-	69,478
Master limited partnerships	-	12,961
Equity exchange traded funds	-	57,680
Mutual funds, equity	-	223,228
Fixed income exchange traded funds	45,703	-
Mutual funds, fixed income	-	124,408
	<u>\$ 45,703</u>	<u>\$ 548,893</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 536,408	\$ 206,408
Buildings and improvements	3,012,630	3,004,213
Furniture, equipment, and vehicles	<u>1,705,504</u>	<u>1,731,103</u>
	5,254,542	4,941,724
Less accumulated depreciation	<u>2,883,771</u>	<u>2,858,729</u>
	<u>\$2,370,771</u>	<u>\$2,082,995</u>

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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, 2015 and 2014 are as follows:

<u>2015</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (168,378)	\$ -	\$ 424,611	\$ 256,233
Investment returns:				
Investment income	3,647	-	-	3,647
Net depreciation (realized and unrealized)	(30,210)	-	-	(30,210)
Contributions	-	-	1,084	1,084
Distributions	(11,817)	-	-	(11,817)
Endowment net assets, end of year	\$ (206,758)	\$ -	\$ 425,695	\$ 218,937

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ENDOWMENT FUNDS (Continued)

<u>2014</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (165,510)	\$ -	\$ 423,476	\$ 257,966
Investment returns:				
Investment income	7,447	-	-	7,447
Net depreciation (realized and unrealized)	(7,790)	-	-	(7,790)
Contributions	-	-	1,135	1,135
Distributions	(2,525)	-	-	(2,525)
Endowment net assets, end of year	<u>\$ (168,378)</u>	<u>\$ -</u>	<u>\$ 424,611</u>	<u>\$ 256,233</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Museum building activities	\$ 45,703	\$ 41,973
Property improvements	33,026	14,619
Scholarships	-	50,000
	<u>\$ 78,729</u>	<u>\$ 106,592</u>

NOTE 6 - FUND RAISING ACTIVITIES

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

	<u>2015</u>	<u>2014</u>
Revenues		
Golf tournament	\$ 130,850	\$ 164,545
Bike ride	186,662	156,568
Christmas play	81,502	87,966
	<u>399,014</u>	<u>409,079</u>
Expenses		
Golf tournament	16,264	21,242
Bike ride	12,893	15,426
Christmas play	19,817	17,284
	<u>48,974</u>	<u>53,952</u>
Net profit	<u>\$ 350,040</u>	<u>\$ 355,127</u>

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED 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, master limited partnership funds and other funds - Valued at quoted market prices at December 31, 2015 and 2014.

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.

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

	Fair Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)
<u>2015</u>		
Mutual funds, equity	\$ 45,703	\$ 45,703
	<u>\$ 45,703</u>	<u>\$ 45,703</u>

PAUL ANDERSON YOUTH HOME, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)

<u>2014</u>	<u>Fair Value</u>	<u>Quoted Market Prices in Active Markets for Identical Assets (Level 1)</u>
Equities		
Energy	\$ 21,190	\$ 21,190
Materials	13,953	13,953
Consumer staples	12,666	12,666
Financials	13,329	13,329
American depository receipt funds	69,478	69,478
Master limited partnerships	12,961	12,961
Equity exchange traded funds	57,680	57,680
Mutual funds, equity	223,228	223,228
Mutual funds, fixed income	124,408	124,408
	<u>\$ 548,893</u>	<u>\$ 548,893</u>

NOTE 8 - LINE OF CREDIT

The Youth Home has an \$250,000 line of credit, secured by real property, with a fixed interest rate of 5%. At December 31, 2015 no amounts were outstanding against the commitment, which expires in November 2016.

NOTE 9 - 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 \$12,000 with the Youth Home matching the deferral up to 1% of compensation for the years ended December 31, 2015 and 2014. Retirement plan expense was approximately \$19,000 for 2015 and 2014.

NOTE 10 - CONCENTRATION OF CONTRIBUTIONS

Approximately 13% of contributions were received from one donor during 2015 and 15% from one donor during 2014.