International Youth Foundation and Affiliates

Consolidated Financial Report
December 31, 2016

Contents

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
International Youth Foundation and Affiliates
Baltimore, Maryland

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of International Youth Foundation and Affiliates (collectively, IYF), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Youth Foundation and Affiliates as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited IYF's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, on our consideration of IYF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IYF's internal control over financial reporting and compliance.

RSM US LLP

Baltimore, Maryland
May 8, 2017

International Youth Foundation and Affiliates

Consolidated Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (Note 11)	**$ 8,589,320**	$ 13,522,148
Investments (Notes 2 and 11)	**5,300,707**	6,117,200
Accounts receivable	**1,552,266**	1,165,633
Grants receivable, net (Note 3)	**6,229,344**	8,568,791
Promises to give, net (Note 4)	**247,669**	310,536
Prepaid expenses and other	**146,656**	182,852
Total current assets	**22,065,962**	29,867,160
Noncurrent assets:		
Cash and cash equivalents	**285,127**	409,562
Grants receivable (Note 3)	**2,035,616**	2,009,230
Promises to give (Note 4)	**94,305**	138,755
Investments (Notes 2 and 11)	**4,287,493**	4,119,650
Property and equipment, net (Note 5)	**205,897**	135,836
Total noncurrent assets	**6,908,438**	6,813,033
Total assets	**$ 28,974,400**	$ 36,680,193

(Continued)

International Youth Foundation and Affiliates

Consolidated Statement of Financial Position (Continued)
December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 548,453**	$ 736,579
Accrued salaries and related benefits	**590,201**	497,951
Deferred revenue	**761,198**	564,875
Grants payable	**403,906**	138,034
Total current liabilities	**2,303,758**	1,937,439
Noncurrent liabilities:		
Deferred rent (Note 12)	**303,619**	-
Total liabilities	**2,607,377**	1,937,439
Commitments and contingency (Notes 9, 10 and 12)		
Net assets (Note 8):		
Unrestricted:		
Undesignated	**1,393,850**	2,389,729
Designated for reserve (Note 1)	**5,942,329**	5,934,230
Designated for endowment (Note 7)	**2,867,019**	2,867,019
Total unrestricted net assets	**10,203,198**	11,190,978
Temporarily restricted (Note 6)	**14,846,791**	22,168,742
Permanently restricted (Note 7)	**1,317,034**	1,383,034
Total net assets	**26,367,023**	34,742,754
Total liabilities and net assets	**$ 28,974,400**	$ 36,680,193

See notes to consolidated financial statements.

International Youth Foundation and Affiliates

Consolidated Statement of Activities
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
Support and revenue:					
Grants and contracts	**$ 3,277,608**	**$ 11,310,041**	**$ -**	**$ 14,587,649**	$ 21,367,745
Contributions	**113,322**	**-**	**34,000**	**147,322**	602,799
Interest and dividends, net (Note 2)	**127,865**	**14,344**	**-**	**142,209**	171,578
Sales and fees	**87,655**	**-**	**-**	**87,655**	207,608
Other	**20,627**	**-**	**-**	**20,627**	9,329
Gain on sale of building	**-**	**-**	**-**	**-**	942,940
De-obligations	**-**	**-**	**-**	**-**	(115,582)
Net assets released from restrictions (Note 6)	**18,642,707**	**(18,642,707)**	**-**	**-**	-
Total support and revenue	**22,269,784**	**(7,318,322)**	**34,000**	**14,985,462**	23,186,417
Expenses:					
Program services:					
Salaries and benefits	**8,732,473**	**-**	**-**	**8,732,473**	8,398,566
Grants	**5,650,763**	**-**	**-**	**5,650,763**	4,426,711
Consultants	**3,064,650**	**-**	**-**	**3,064,650**	1,511,032
Travel	**1,213,189**	**-**	**-**	**1,213,189**	1,155,629
Other	**862,143**	**-**	**-**	**862,143**	655,309
Office expenses	**603,983**	**-**	**-**	**603,983**	469,050
Total program services	**20,127,201**	**-**	**-**	**20,127,201**	16,616,297
Fundraising:					
Salaries and benefits	**-**	**-**	**-**	**-**	77,546
Other	**708**	**-**	**-**	**708**	2,216
Total fundraising	**708**	**-**	**-**	**708**	79,762
General and administrative:					
Salaries and benefits	**2,024,058**	**-**	**-**	**2,024,058**	2,057,872
Other	**598,838**	**-**	**-**	**598,838**	401,591
Consultants	**390,572**	**-**	**-**	**390,572**	368,910
Office expenses	**202,437**	**-**	**-**	**202,437**	238,439
Travel	**46,876**	**-**	**-**	**46,876**	57,743
Total general and administrative	**3,262,781**	**-**	**-**	**3,262,781**	3,124,555
Total expenses	**23,390,690**	**-**	**-**	**23,390,690**	19,820,614

(Continued)

International Youth Foundation and Affiliates

Consolidated Statement of Activities (Continued)
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2015 Total
Change in net assets before other items	**$ (1,120,906)**	**$ (7,318,322)**	**$ 34,000**	**$ (8,405,228)**	$ 3,365,803
Other items:					
Realized and unrealized gains (losses) on investments, net	**125,930**	**38,328**	**-**	**164,258**	(44,050)
Currency gains (losses), net	**7,196**	**(41,957)**	**-**	**(34,761)**	4,293
Loss on uncollectible promise to give	**-**	**-**	**(100,000)**	**(100,000)**	-
Change in net assets	**(987,780)**	**(7,321,951)**	**(66,000)**	**(8,375,731)**	3,326,046
Net assets:					
Beginning	**11,190,978**	**22,168,742**	**1,383,034**	**34,742,754**	31,416,708
Ending	**$ 10,203,198**	**$ 14,846,791**	**$ 1,317,034**	**$ 26,367,023**	$ 34,742,754

See notes to consolidated financial statements.

International Youth Foundation and Affiliates

Consolidated Statement of Cash Flows
Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (8,375,731)**	$ 3,326,046
Adjustments to reconcile change in net assets to net cash		
(used in) provided by operating activities:		
Depreciation and amortization	**50,039**	28,587
Unrealized and realized (gains) losses on investments, net	**(164,258)**	44,050
Contributions restricted to long-term investment	**(34,000)**	(210,000)
Gain on disposal of property and equipment	**-**	(942,940)
Loss on uncollectible promise to give	**100,000**	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(386,633)**	(751,099)
Grants receivable	**2,313,061**	3,172,198
Promises to give	**7,317**	(293,090)
Prepaid expenses and other	**36,196**	(116,842)
(Decrease) increase in:		
Accounts payable and accrued liabilities	**(188,126)**	(550,847)
Accrued salaries and related benefits	**92,250**	(60,728)
Deferred revenue	**196,323**	489,494
Grants payable	**265,872**	(25,829)
Deferred rent	**303,619**	-
Net cash (used in) provided by operating activities	**(5,784,071)**	4,109,000
Cash flows from investing activities:		
Purchase of property and equipment	**(120,100)**	(63,813)
Purchase of investments	**(3,459,719)**	(6,451,763)
Proceeds from sale of investments	**4,272,627**	6,133,795
Proceeds from sale of building	**-**	1,405,764
Net cash provided by investing activities	**692,808**	1,023,983
Cash flows from financing activities:		
Proceeds from contributions restricted to long-term investment	**34,000**	210,000
Net cash provided by financing activities	**34,000**	210,000
Net (decrease) increase in cash and cash equivalents	**(5,057,263)**	5,342,983
Cash and cash equivalents:		
Beginning	**13,931,710**	8,588,727
Ending	**$ 8,874,447**	$ 13,931,710

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: International Youth Foundation and Affiliates (collectively, IYF) are described as follows:

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

Resources for Youth, Inc.: In 1998, International Youth Foundation incorporated Resources for Youth, Inc. (RFY) as a supporting organization. RFY previously owned an office building which it leased to International Youth Foundation. The building was sold during the year ended December 31, 2015.

International Youth Foundation Inc., S.A.R.L.A.U.: In 2014, International Youth Foundation incorporated International Youth Foundation Inc., S.A.R.L.A.U. (IYF-MOR), a Limited Liability Company (LLC), in Morocco to support IYF programs and activities in that region. International Youth Foundation is the sole shareholder of the LLC.

A summary of IYF's significant accounting policies follows:

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

Basis of presentation: IYF follows the Nonprofit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, IYF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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

Cash and cash equivalents: IYF considers investments in money market funds of $740,579 at December 31, 2016, to be cash equivalents.

At times during the year, IYF maintains cash balances at financial institutions in excess of the federally insured limits. At December 31, 2016, cash balances totaling $8,624,348 exceeded the limit. However, management believes the risk in these institutions to be minimal. At December 31, 2016, cash totaling $717,151 was held in numerous financial institutions outside the United States, which are not insured by FDIC.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. Dividend and interest income, net of investment fees, is included in interest and dividends, net in the accompanying consolidated statement of activities. Net realized and unrealized gains and losses on investments are excluded from investment income and are presented separately as other items in the consolidated statement of activities.

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

IYF invests in professionally managed portfolios that contain U.S. Government and municipal bonds, corporate equities, corporate debt securities, mutual funds and private equity investments. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Accounts receivable: Accounts receivable consists of contract receivables. Receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on management's review of outstanding amounts. Receivables are written off when deemed uncollectible.

Grants receivable: Grants receivable are carried at the original or amended grant amount less cash receipts and are further reduced by an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no provision for doubtful accounts, based on management's evaluation of the collection of grants receivable, at December 31, 2016.

Promises to give: Unconditional promises to give are recognized as revenue in the period that IYF is notified of the contribution by the donor and acknowledged and identified by the donor. Unconditional promises to give are initially recorded at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Promises to give to be collected after one year are discounted at an appropriate discount rate commensurate with the risks involved. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. During the year ended December 31, 2016, IYF wrote off a pledge of $100,000 deemed to be uncollectible.

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. The cost of maintenance and repairs is recorded as an expense as incurred.

Valuation of long-lived assets: IYF reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: IYF has a lease agreement for rental space in Baltimore, Maryland. Under the terms of the lease agreement, IYF occupied its office space for nine months free of charge during the initial rental period. The benefits that IYF received from the free months and rent increases in future years are being allocated on a straight-line basis over the term of the lease as an offset against each period's occupancy expenditures. In addition, a landlord improvement allowance was provided for leasehold improvements. This benefit is being recognized on a straight-line basis over the life of the lease agreement.

Deferred revenue: Amounts on contracts received prior to the service being performed are recorded as deferred revenue.

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

Conditional grants payable: Grants made by IYF are recognized as payables and expenses when the reimbursement request is received from the grantee.

Support and revenue: Grants and contracts are recognized as receivables and revenue when the grant commitment has been received and all significant conditions of the grant or contribution have been met. Grant and contract revenue is classified as unrestricted or temporarily restricted, based upon the existence or lack of donor-imposed restrictions.

Revenue from fixed price type contracts is recognized based on deliverables met or on a proportional performance method. Under this method, individual contract revenue earned is based upon the percentage relationship that contract costs incurred bear to management's estimate of total contract costs. IYF provides currently for all known or anticipated loss on contracts.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 consolidated statement of activities as net assets released from restrictions.

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

Indirect costs: Indirect costs are charged to U.S. government grants and non-federal grants based on an estimate of the final indirect cost rate. Any variance between the estimate and the final negotiated rate is adjusted in the period when finalized. During the year ended December 31, 2016, IYF's indirect cost rate was calculated based on total direct costs.

Net asset classification: The consolidated financial statement presentation follows the recommendation of the Not-for-Profit Entities topic of the ASC. Under this topic, IYF 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.

Unrestricted net assets: Are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Board-designated net assets are unrestricted net assets designated by the Board of Directors for specific purposes. Board-designated net assets consist of the following:

Reserves: Funds set aside as a reserve against current operating losses or for future programs.

Endowment: In 2007, the Board of Directors designated $2,000,000 from its reserve funds to establish an endowment. It is the Board's intention to invest the funds in perpetuity, consolidating them with permanently restricted donor contributions (see Note 7), to create a sustainable income stream for future years.

Temporarily restricted net assets: Result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of IYF pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or used for specified purposes.

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

Permanently restricted net assets: Result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by IYF's actions.

Foreign currency translation: The functional currency of IYF is the U.S. dollar. The consolidated financial statements are presented in U. S. dollars. The transactions of IYF's foreign operations are generally maintained in the relevant local currency and so assets and liabilities are translated into U.S. dollars at the statement of financial position date at the exchange rate in effect at year-end.

Foreign currency transactions: Transaction gains or losses arise from changes in the exchange rates between the functional currency (U.S. dollar) and the currency in which the transaction is denominated. They represent an increase or decrease in: (a) the actual functional currency cash flows realized upon settlement of foreign currency transactions and (b) the expected functional currency cash flows on unsettled foreign currency transactions.

Income taxes: IYF is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, IYF qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. IYF had no material unrelated business income for the year ended December 31, 2016.

Management has evaluated IYF's tax positions and has concluded that IYF has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. IYF files tax returns in the U.S. federal jurisdictions. Generally, IYF is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2013.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain items in the December 31, 2015, summarized comparative financial information have been reclassified to conform to the December 31, 2016, consolidated financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Adopted accounting pronouncement: In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820); Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. IYF adopted this ASU during the year ended December 31, 2016. The impact of adopting this standard is reflected in Note 11 of the consolidated financial statements.

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

Upcoming accounting pronouncements: In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. IYF is currently evaluating the impact of its pending adoption of the new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with IYF's consolidated financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Subsequent events: IYF evaluated subsequent events through May 8, 2017, which is the date the consolidated financial statements were available to be issued.

Note 2. Investments

Investments consist of the following at December 31, 2016:

Equity mutual funds	$	3,717,324
Fixed income mutual funds		1,931,703
U.S. government bonds and municipal bonds		1,643,531
Common stock		1,235,900
Corporate bonds and notes		960,161
Private equity		75,913
Preferred stock		23,668
	$	9,588,200

Interest and dividend income of $142,209 is net of investment expenses of $36,386.

Note 3. Grants Receivable

At December 31, 2016, grants receivable are due as follows:

Due within one year	$	6,229,344
Due within two years		2,143,747
		8,373,091
Less present value discount		108,131
	$	8,264,960

Note 4. Promises to Give

Promises to give to be collected in more than one year from the date of the donor's commitment are measured using the present value of future cash flows based on a discount rate of 4%. Promises to give at December 31, 2016, consist of the following:

Promises to give	$	347,669
Less discount to present value		5,695
	$	341,974

Anticipated collections of outstanding promises to give are as follows:

Due in less than one year	$	247,669
Due in one to three years		100,000
	$	347,669

Note 5. Property and Equipment

Property and equipment consist of the following at December 31, 2016:

Furniture, equipment and software	$ 241,049
Leasehold improvements	54,139
	295,188
Less depreciation and amortization	89,291
	$ 205,897

Depreciation and amortization expense for the year ended December 31, 2016, was $50,039.

Note 6. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended December 31, 2016, were as follows:

	Balance December 31, 2015	Additions	Released	Balance December 31, 2016
Purpose restricted	$ 21,681,674	$ 11,273,367	$ (18,472,707)	$ 14,482,334
Time restricted	200,000	-	(50,000)	150,000
Endowment earnings	287,068	47,389	(120,000)	214,457
	$ 22,168,742	$ 11,320,756	$ (18,642,707)	$ 14,846,791

Note 7. 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 U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the 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.

Note 7. Permanently Restricted Net Assets and Endowment (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by IYF in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, IYF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of IYF and the donor-restricted endowment fund
- General economic conditions and the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies of IYF

Endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 214,457	$ 1,317,034	$ 1,531,491
Board designated endowment funds	2,867,019	-	-	2,867,019
	$ 2,867,019	$ 214,457	$ 1,317,034	$ 4,398,510

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,867,019	$ 287,068	$ 1,383,034	$ 4,537,121
Contributions	-	-	34,000	34,000
Investment earnings:				
Interest and dividends, net of investment fees	-	9,061	-	9,061
Unrealized and realized gains	-	38,328	-	38,328
Amounts appropriated for expenditure	-	(120,000)	-	(120,000)
Loss on uncollectible promise to give	-	-	(100,000)	(100,000)
	-	(72,611)	(66,000)	(138,611)
Endowment net assets, end of year	$ 2,867,019	$ 214,457	$ 1,317,034	$ 4,398,510

Note 7. Permanently Restricted Net Assets and Endowment (Continued)

Return objectives and risk parameters: IYF has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that IYF must hold in perpetuity or for a donor-specified period, as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is long-term oriented and include assets which are not intended for current use. The primary objective is to provide for consistent long-term growth of principal, without undue exposure to risk. Investment performance is measured on a rolling five-year basis. The total return will be expected to exceed the return of a Blended Market Index that represents the target asset allocation. The total return shall exceed the U.S. Consumer Price Index +3%. The investment manager shall rank in the top 50% versus the appropriate manager universe with a similar equity exposure and with a similar investment philosophy. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, IYF relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The objectives shall be accomplished utilizing a strategy of fixed income, equities and cash equivalents in a mix, which is conducive to participation in rising markets while allowing for protection in falling markets within prudent risk constraints.

Spending policy: The current spending policy allows International Youth Foundation to take an annual distribution of up to 4% of the fair market value of the endowment fund, calculated based on the average of the calendar year-end market values of the rolling prior three years.

Note 8. Net Assets

Net assets at December 31, 2016, consist of the following by entity:

	IYF	RFY	IYF-MOR	Total
Unrestricted:				
Undesignated	$ 1,720,934	$ (128,666)	(198,418)	$ 1,393,850
Designated for reserve	5,942,329	-		5,942,329
Designated for endowment	2,867,019	-	-	2,867,019
Total unrestricted net assets	10,530,282	(128,666)	(198,418)	10,203,198
Temporarily restricted	14,846,791	-	-	14,846,791
Permanently restricted	1,317,034	-	-	1,317,034
Total net assets	$ 26,694,107	$ (128,666)	$ (198,418)	$ 26,367,023

Note 9. Retirement Plans

Retirement benefits are provided to all employees under a defined contribution plan, the Retirement Savings Plan. All participants have a fully vested interest in the employee contributions made to their accounts. Employer contributions include a variable matching contribution and non-matching contribution, and a defined safe-harbor non-matching contribution. IYF has no liability under the plan, other than its annual contribution, which is calculated as a percentage of employees' salaries. Retirement plan expense for the year ended December 31, 2016, was $516,851.

Retirement benefits have been provided to certain executives under a 457(b) deferred compensation plan. IYF contributes an annual contribution, which was $4,500 for the year ended December 31, 2016. This contribution was calculated as a percentage of employees' salaries in excess of IRC limitations.

Note 10. Contingency

IYF participates in federally-assisted grant programs, which are subject to a financial and compliance audit by the federal agency or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Note 11. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

To determine the appropriate levels, IYF performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurements and Disclosures Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. IYF had no level 3 assets or liabilities at December 31, 2016.

Note 11. Fair Value Measurements (Continued)

Financial assets recorded in the consolidated statement of financial position are categorized based on the inputs to the valuation technique as follows at December 31, 2016:

Asset Category	Level 1	Level 2	Level 3	Total
Investments included in				
cash and cash equivalents:				
Money market funds	$ 740,579	$ -	$ -	$ 740,579
Total cash and cash equivalents	740,579	-	-	740,579
Investments:				
Equity mutual funds:				
Domestic large cap growth	1,504,514	-	-	1,504,514
Domestic small cap value	740,279	-	-	740,279
Domestic small cap growth	524,167	-	-	524,167
Emerging markets	591,401	-	-	591,401
International	356,963	-	-	356,963
U.S. treasury and agency obligations:				
U.S. Treasury and agency bonds	-	1,188,750	-	1,188,750
Asset and mortgage backed bonds	-	454,781	-	454,781
Corporate bonds and notes	-	960,161	-	960,161
Corporate equity securities:				
Consumer discretionary	160,497	-	-	160,497
Consumer staples	85,350	-	-	85,350
Energy	54,186	-	-	54,186
Finance	191,350	-	-	191,350
Health care	162,699	-	-	162,699
Industrials	200,450	-	-	200,450
Information technology	342,147	-	-	342,147
Materials	21,917	-	-	21,917
Real Estate Investment Trust	10,592	-	-	10,592
Telecommunications	6,712	-	-	6,712
Preferred stock	23,668	-	-	23,668
Fixed income mutual fund	1,931,703	-	-	1,931,703
Classified investments by fair value level	$ 7,649,174	$ 2,603,692	$ -	10,252,866
Total measured at net asset value (a)				75,913
Total investments				$ 10,328,779

Note 11. Fair Value Measurements (Continued)

The money market, equity securities and mutual funds of IYF are publicly traded and are considered Level 1 items. IYF corporate and government fixed income securities (bonds) are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are therefore considered Level 2 items.

(a) At December 31, 2016, IYF's assets include private equity funds utilizing the net asset value (NAV) per share or its equivalent as a practical expedient to estimate the fair value of these investments. In accordance with Codification Topic 820-10, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The following table provides additional information about the investments held at net asset value by major category:

Investment	Fair Value at December 31, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity investments	$ 75,913	$ -	None	Locked into a 10-year period

Note 12. Office Lease

IYF entered into a lease agreement on October 26, 2015 for office space. The lease commenced on March 24, 2016. The term of the lease is for ten years. IYF received nine months of free rent as a lease incentive. At December 31, 2016, deferred rent related to this lease was $303,619.

Total future minimum lease payments are as follows:

Years ending December 31:	
2017	$ 399,432
2018	409,418
2019	419,653
2020	430,145
2021	440,898
2022 to 2026	2,375,443
	$ 4,474,989

Rent expense of $312,209 for the year ended December 31, 2016 is included in other general and administrative expenses in the consolidated statement of activities.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
International Youth Foundation and Affiliates
Baltimore, Maryland

We have audited the consolidated financial statements of International Youth Foundation and Affiliates (collectively, IYF) as of and for the year ended December 31, 2016, and have issued our report thereon which contains an unmodified opinion on those consolidated financial statements (see pages 1 and 2). Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Baltimore, Maryland
May 8, 2017

International Youth Foundation and Affiliates

Consolidating Statement of Financial Position
December 31, 2016

	IYF	RFY	IYF-MOR	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 8,460,079	$ -	$ 129,241	$ -	$ 8,589,320
Investments	5,300,707	-	-	-	5,300,707
Grants receivable, net	6,229,344	-	-	-	6,229,344
Promises to give, net	247,669	-	-	-	247,669
Accounts receivable	1,339,870	-	212,396	-	1,552,266
Prepaid expenses and other	146,656	-	-	-	146,656
Intercompany receivable	414,895	-	-	(414,895)	-
Total current assets	22,139,220	-	341,637	(414,895)	22,065,962
Noncurrent assets:					
Cash and cash equivalents	285,127	-	-	-	285,127
Grants receivable	2,035,616	-	-	-	2,035,616
Promises to give	94,305	-	-	-	94,305
Investments	4,293,432	-	-	(5,939)	4,287,493
Property and equipment, net	205,897	-	-	-	205,897
Total noncurrent assets	6,914,377	-	-	(5,939)	6,908,438
Total assets	$ 29,053,597	$ -	$ 341,637	$ (420,834)	$ 28,974,400

(Continued)

International Youth Foundation and Affiliates

Consolidating Statement of Financial Position (Continued)
December 31, 2016

	IYF	RFY	IYF-MOR	Eliminations	Total
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 381,220	$ -	$ 167,233	$ -	$ 548,453
Accrued salaries and related benefits	565,697	-	24,504	-	590,201
Deferred revenue	705,048	-	56,150	-	761,198
Grants payable	403,906	-	-	-	403,906
Total current liabilities	2,055,871	-	247,887	-	2,303,758
Noncurrent Liabilities					
Deferred rent	303,619	-		-	303,619
Intercompany payables	-	128,666	286,229	(414,895)	-
Total liabilities	2,359,490	128,666	534,116	(414,895)	2,607,377
Net assets:					
Unrestricted:					
Undesignated	1,720,934	(128,666)	(192,479)	(5,939)	1,393,850
Designated for reserve	5,942,329	-	-	-	5,942,329
Designated for endowment	2,867,019	-	-	-	2,867,019
Total unrestricted net assets	10,530,282	(128,666)	(192,479)	(5,939)	10,203,198
Temporarily restricted	14,846,791	-	-	-	14,846,791
Permanently restricted	1,317,034	-	-	-	1,317,034
Total net assets	26,694,107	(128,666)	(192,479)	(5,939)	26,367,023
Total liabilities and net assets	$ 29,053,597	$ -	$ 341,637	$ (420,834)	$ 28,974,400

International Youth Foundation and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2016

	IYF	RFY	IYF-MOR	Eliminations	Total
Unrestricted revenue:					
Grants and contracts	$ 2,868,226	$ -	$ 574,601	$ (165,219)	$ 3,277,608
Interest and dividends, net	127,865	-	-	-	127,865
Contributions	113,322	-	-	-	113,322
Sales and fees	87,655	-	-	-	87,655
Other	20,627	-	-	-	20,627
Net assets released from restrictions	18,642,707	-	-	-	18,642,707
Total unrestricted revenue	21,860,402	-	574,601	(165,219)	22,269,784
Expenses:					
Program services:					
Salaries and benefits	8,396,176	-	401,103	(64,806)	8,732,473
Grants	5,642,958	-	7,805	-	5,650,763
Consultants	3,002,561	-	134,721	(72,632)	3,064,650
Travel	1,173,698	-	47,396	(7,905)	1,213,189
Other	728,790	-	148,002	(14,649)	862,143
Office expenses	582,823	-	26,114	(4,954)	603,983
Total program services	19,527,006	-	765,141	(164,946)	20,127,201
Fundraising	708	-	-	-	708
Total fundraising	708	-	-	-	708
General and administrative:					
Salaries and benefits	2,024,058	-	-	-	2,024,058
Other	598,830	8	-	-	598,838
Consultants	390,572	-	-	-	390,572
Office expenses	202,437	-	-		202,437
Travel	46,876	-	-	-	46,876
Total general and administrative	3,262,773	8	-	-	3,262,781
Total expenses	22,790,487	8	765,141	(164,946)	23,390,690
Change in unrestricted net assets before other items	(930,085)	(8)	(190,540)	(273)	(1,120,906)
Other items:					
Realized and unrealized gains, net	125,930	-	-	-	125,930
Currency losses	6,702	-	221	273	7,196
Change in unrestricted net assets	$ (797,453)	$ (8)	$ (190,319)	$ -	$ (987,780)

(Continued)

International Youth Foundation and Affiliates

Consolidating Statement of Activities (Continued)
Year Ended December 31, 2016

	IYF	RFY	IYF-MOR	Eliminations	Total
Temporarily restricted revenue:					
Grants and contracts	$ 11,310,041	$ -	$ -	$ -	$ 11,310,041
Dividends and interest income, net of investment fees	14,344	-	-	-	14,344
Net assets released from restrictions	(18,642,707)	-	-	-	(18,642,707)
Change in temporarily restricted net assets before other items	(7,318,322)	-	-	-	(7,318,322)
Other items:					
Realized and unrealized gains on sales of investments	38,328	-	-	-	38,328
Currency losses	(41,957)	-	-	-	(41,957)
Change in temporarily restricted net assets	$ (7,321,951)	$ -	$ -	$ -	$ (7,321,951)
Permanently restricted revenue:					
Contributions	$ 34,000	$ -	$ -	$ -	$ 34,000
Other item:					
Loss on uncollectible promise to give	(100,000)	-	-	-	(100,000)
Change in permanently restricted net assets	$ (66,000)	$ -	$ -	$ -	$ (66,000)
Change in net assets	$ (8,185,404)	$ (8)	$ (190,319)	$ -	$ (8,375,731)