

NATIONAL YOUTH LEADERSHIP COUNCIL
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

**NATIONAL YOUTH LEADERSHIP COUNCIL
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LarsonAllen^{LLP}

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Youth Leadership Council
Saint Paul, Minnesota

We have audited the accompanying balance sheets of National Youth Leadership Council (the Council) as of September 30, 2010 and 2009, and the related statements of activities, functional expense, and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
January 21, 2011

**NATIONAL YOUTH LEADERSHIP COUNCIL
BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009**

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,704,102	\$ 517,226
Accounts Receivable, Net	13,189	15,553
Grants Receivable	144,262	183,343
Publications Inventory	13,621	9,265
Certificates of Deposit	-	2,595,292
Prepaid Expenses	41,108	62,238
Total Current Assets	2,916,282	3,382,917
FIXED ASSETS		
Furniture and Equipment	73,417	73,417
Less: Accumulated Depreciation	(65,082)	(59,838)
Total Fixed Assets	8,335	13,579
Total Assets	\$ 2,924,617	\$ 3,396,496
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 244,079	\$ 83,000
Accrued Expenses	70,892	55,493
Deferred Revenue	7,512	11,010
Total Current Liabilities	322,483	149,503
NET ASSETS		
Unrestricted, Undesignated	286,819	433,374
Unrestricted, Designated	150,000	-
Total Unrestricted	436,819	433,374
Temporarily Restricted	2,165,315	2,813,619
Total Net Assets	2,602,134	3,246,993
Total Liabilities and Net Assets	\$ 2,924,617	\$ 3,396,496

See accompanying Notes to Financial Statements.

**NATIONAL YOUTH LEADERSHIP COUNCIL
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED SEPTEMBER 30, 2010**

	Program Services				Support Service		Total Expenses	
	Communications and Research	Professional Development and Programs	Youth Initiatives	Conferences	Program Services	Management and General		Fundraising
Personnel Costs	\$ 339,670	\$ 365,316	\$ 173,175	\$ 209,223	\$ 1,087,384	\$ 218,644	\$ 103,880	\$ 1,409,908
Grants and Allocations	-	134,446	37,500	-	171,946	-	-	171,946
Professional Services	299,207	138,424	105,889	158,341	701,861	40,593	22,645	765,099
Cost of Goods Sold	1,698	-	-	-	1,698	-	-	1,698
Supplies	1,856	7,869	1,344	28,323	39,392	4,125	916	44,433
Occupancy	14,292	15,877	9,816	25,306	65,291	5,948	3,017	74,256
Telephone	1,127	3,412	2,934	1,105	8,578	2,799	874	12,251
Postage and Shipping	830	1,956	1,465	17,935	22,186	1,779	1,176	25,141
Printing and Publications	21,605	9,247	3,577	15,753	50,182	587	4,339	55,108
Technology	13,911	12,507	5,239	3,620	35,277	9,279	5,951	50,507
Dues and Subscriptions	1,114	234	20	1,449	2,817	630	1,701	5,148
Conferences and Travel	53,367	136,024	172,637	837,449	1,199,477	13,201	13,506	1,226,184
Staff Development	100	-	-	-	100	36	-	136
Advertising	-	5,850	-	-	5,850	60	-	5,910
Insurance	-	-	-	6,774	6,774	11,223	-	17,997
Bank Charges	174	635	270	20,789	21,868	702	-	22,570
Bad Debt Expense	-	-	-	-	-	2,095	-	2,095
Other Expenses	-	203	528	-	731	-	73	804
Total Expenses before Depreciation	748,951	832,000	514,394	1,326,067	3,421,412	311,701	158,078	3,891,191
Depreciation	1,010	1,121	693	1,787	4,611	420	213	5,244
Total Expenses	\$ 749,961	\$ 833,121	\$ 515,087	\$ 1,327,854	\$ 3,426,023	\$ 312,121	\$ 158,291	\$ 3,896,435

See accompanying Notes to Financial Statements.

**NATIONAL YOUTH LEADERSHIP COUNCIL
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED SEPTEMBER 30, 2009**

	Program Services				Support Service			Total Expenses
	Communications and Research	Professional Development and Programs	Youth Initiatives	Conferences	Total Program Services	Management and General	Fundraising	
Personnel Costs	\$ 305,903	\$ 267,923	\$ 164,463	\$ 223,351	\$ 961,640	\$ 197,993	\$ 158,238	\$ 1,317,871
Grants and Allocations	-	101,000	62,000	-	163,000	-	-	163,000
Professional Services	171,203	213,130	97,474	203,021	684,828	24,181	4,839	713,848
Cost of Goods Sold	1,371	-	-	-	1,371	-	-	1,371
Supplies	5,155	5,646	4,042	28,219	43,062	4,720	698	48,480
Occupancy	12,592	16,832	8,525	26,160	64,109	5,845	4,301	74,255
Telephone	2,311	2,963	1,773	1,474	8,521	2,699	1,403	12,623
Postage and Shipping	6,116	6,195	1,281	9,277	22,869	1,799	1,088	25,756
Printing and Publications	26,760	7,786	2,337	18,930	55,813	897	3,643	60,353
Technology	8,954	12,681	3,393	2,964	27,992	7,351	3,965	39,308
Dues and Subscriptions	1,399	110	132	1,020	2,661	870	2,316	5,847
Conferences and Travel	50,351	202,489	55,493	696,963	1,005,296	7,594	21,973	1,034,863
Staff Development	359	107	-	-	466	2,715	200	3,381
Advertising	844	1,200	-	-	2,044	-	-	2,044
Insurance	-	-	-	3,942	3,942	12,273	-	16,215
Bank Charges	50	47	239	17,470	17,806	1,031	-	18,837
Bad Debt Expense	-	-	-	-	-	264	-	264
Other Expenses	44	132	608	44	828	-	42	870
Total Expenses before Depreciation	593,412	838,241	401,760	1,232,835	3,066,248	270,232	202,706	3,539,186
Depreciation	889	1,189	602	1,847	4,527	413	305	5,245
Total Expenses	\$ 594,301	\$ 839,430	\$ 402,362	\$ 1,234,682	\$ 3,070,775	\$ 270,645	\$ 203,011	\$ 3,544,431

See accompanying Notes to Financial Statements.

**NATIONAL YOUTH LEADERSHIP COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (644,859)	\$ (340,633)
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	5,244	5,245
(Increase) Decrease in Current Assets:		
Accounts Receivable	2,364	(7,288)
Grants Receivable	39,081	116,657
Publications Inventory	(4,356)	260
Prepaid Expenses	21,130	(32,445)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	161,079	22,942
Accrued Expenses	15,399	1,116
Deferred Revenue	(3,498)	2,620
Net Cash Used by Operating Activities	<u>(408,416)</u>	<u>(231,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	(13,893)
Proceeds (Purchases) of Certificates of Deposit	<u>2,595,292</u>	<u>(2,595,292)</u>
Net Cash Provided (Used) by Investing Activities	<u>2,595,292</u>	<u>(2,609,185)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,186,876	(2,840,711)
Cash and Cash Equivalents - Beginning	<u>517,226</u>	<u>3,357,937</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 2,704,102</u></u>	<u><u>\$ 517,226</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

The National Youth Leadership Council (the Council) is a nonprofit organization founded in 1983. Its mission is to create a more just, sustainable, and peaceful world with young people, their schools, and their communities through service-learning. The Council has been a pioneering force in service-learning – the teaching method that enriches learning by engaging students in meaningful service – since its inception, advancing policy, piloting programs, training teachers and young people, and developing resources.

The Council's programs are as follows:

Communications and Research

The Council's mass communications, both electronic and print media, grew this year to include a new service-learning wiki, blog, Facebook, and Twitter activities. New publications included a multimedia training tool, revision of an entry-level book, and series of external publications, reaching more than two million readers.

Professional Development and Programs

The Council's outreach and training efforts, which target both youth and adults, grew significantly this year, both online and face-to-face. The Generator School Network, which the Council launched last year, now includes more than 600 users in nearly 20 countries. Also, the Council has developed a new academically rigorous approach to service-learning curriculum development which is driving training requests – a notably district-wide series last summer in Guilford, County, N.C., which will affect the education of 70,000 students.

Youth Initiatives

The Council's training for youth emanates from its weeklong summer event, the National Youth Leadership Training (NYLT). NYLT participants go on to advise the Council's work in a range of capacities and lead service-learning efforts to address the achievement gap in their home communities across the country. Project Ignition, another youth-led initiative the Council coordinates nationally, promotes teen driver safety and reaches an estimated 65,000 youths and adults across the country with messages created by high school youth teams.

Conferences

The Council's National Service-Learning Conference is the largest gathering of youths and adults involved in the service-learning movement. It has grown to include numerous tracks, a handful of notable keynote speakers, and annual World Forum within the event. NYLC also convenes an annual Urban Service-Learning Institute, drawing educators from across the country for in-depth training.

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Council or passage of time.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid debt instruments purchased with an original maturity of six months or less to be cash equivalents.

Receivables

Receivables are recorded at their net realizable value. The Council provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Write-offs of receivables occur when all collection efforts have been exhausted. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. An allowance for bad debts of \$1,050 and \$675 was recorded at September 30, 2010 and 2009, respectively.

Publications Inventory

Inventory is valued at lower of cost (first-in, first-out method) or market.

Certificates of Deposit

Certificates of Deposit consist of time deposits held through a brokerage account. Deposits are spread over a number of certificates to ensure FDIC coverage on all balances. These deposits are held and recorded at cost.

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Equipment (over \$5,000) is stated at cost or the fair value at date of acquisition for donated property. Depreciation is computed using the straight-line method over estimated useful lives of five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in change in net assets for the period.

Deferred Revenue

Deferred revenue consists primarily of registration fees for a future conference.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as unrestricted, or temporarily restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in the temporarily 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 Statement of Activities as net assets released from restrictions.

Unconditional contribution pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Additional contributions are recognized when the conditions on which they depend are substantially met.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Amounts earned and payable to subrecipients under these government grants and contracts are shown as grants payable.

Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Council will record such disallowance at the time the assessment is made.

Contributed Material and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs incurred by the Council were \$5,910 and \$2,044 for the years ended September 30, 2010 and 2009, respectively.

Functional Allocation of Expense

Salaries are allocated based on time records. Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.

Fair Value Measurements

The Council categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Council has the ability to access. Level 1 assets of the Council include certificates of deposit and mutual funds.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Council currently has no instruments which are required to be reported under fair value standards.

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes

The Council is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. As such, it is subject to federal and state income taxes on net unrelated business income. The Council currently has no unrelated business income.

The Council adopted the accounting standards for contingencies in evaluating uncertain tax positions and files as a tax-exempt organization. No liability has been recognized by the Council as a result of the implementation of this standard. Should that status be challenged in the future, all years since inception could be subject to review by the Internal Revenue Service (IRS). Its tax returns for fiscal years ending in 2007, 2008, and 2009 are open for examination by the IRS.

Subsequent Events

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through January 21, 2011, the date the financial statements were available to be issued.

NOTE 2 SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Council provides services throughout the United States. The amounts due for services provided are from individuals, governmental agencies, and foundations, substantially all of which are private foundations or governmental bodies. The amounts receivable are not collateralized.

As of September 30, 2010 and 2009, 98% and 97% of grant and contribution support is from two donors, respectively. As of September 30, 2010 and 2009, 100% of grants receivable is from one donor.

The Council places its cash with financial institutions. At times the amount on deposit exceeds the insured limit of the institution and exposes the Council to a credit risk. The Council has not experienced any losses on such deposits.

NOTE 3 GRANTS RECEIVABLE

As of September 30, 2010 and 2009, grants receivable was \$144,262 and \$183,343, respectively. The total is expected to be received within one year. Uncollectible grants and present value discount on non-current receivables are considered to be insignificant; therefore, no allowance for uncollectible grants or present value discount has been recorded as of September 30, 2010 and 2009.

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 4 NET ASSETS

Designated

Unrestricted designated net assets consist of amounts designated by the board to address executive director transition costs to take place in fiscal year 2011.

Temporarily Restricted

Temporarily restricted net assets consist of the following as of September 30:

	2010	2009
Communications and Research	\$ 530,151	\$ 850,213
Professional Development and Programs	1,360,525	1,295,595
Youth Initiatives	39,639	246,240
Conference	235,000	421,571
Total Temporarily Restricted Net Assets	<u>\$ 2,165,315</u>	<u>\$ 2,813,619</u>

Net Assets Released from Restrictions

Net assets released from restrictions consist of the following for the years ended September 30:

	2010	2009
Communications and Research	\$ 874,744	\$ 627,269
Professional Development and Programs	957,890	1,168,901
Youth Initiatives	306,601	467,489
Conference	443,519	322,219
Total Net Assets Released from Restrictions	<u>\$ 2,582,754</u>	<u>\$ 2,585,878</u>

NOTE 5 LEASES

The Council has various lease agreements for office equipment and office space. Rent expense was \$81,291 and \$81,222 for the years ended September 30, 2010 and 2009, respectively. During 2005, the office space lease expired and the Council is now leasing the facility on a month-to-month basis with no long-term commitment.

Minimum lease payments for the office equipment leases are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2011	\$ 7,035
2012	5,696
2013	1,680
2014	980
Total	<u>\$ 15,391</u>

**NATIONAL YOUTH LEADERSHIP COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 6 COMMITMENTS

The Council entered into contracts for future national conferences before year-end. Cancellation fees at September 30, 2010 totaled \$248,676. The Council also entered into additional contracts for future national conferences after year-end. The cancellation fees at the time of the agreements totaled \$150,554.

NOTE 7 IN-KIND CONTRIBUTIONS

The Council recognizes in-kind contributions and expenses for services provided by professionals working in their profession. During the years ended September 30, 2010 and 2009, the Council received in-kind contributions of \$-0- and \$16,814, respectively.

NOTE 8 EMPLOYEE BENEFITS

The Council started a 401(k) employee savings plan covering substantially all employees during the year ended September 30, 2008. Eligible employees may contribute up to the maximum dollar limit permitted by law. The Council matches a discretionary percentage (3% for 2010 and 2009) of employee contributions to the plan. The Council's match was \$21,955 and \$20,426 for the years ended September 30, 2010 and 2009, respectively. The Council may also make an annual discretionary contribution to the plan. The Council made discretionary contributions of \$17,036 and \$10,000 for the years ended September 30, 2010 and 2009, respectively.

