YOUTHZONE, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

June 30, 2015 and 2014

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HMH
Hays
Maggard
& Hood, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
YouthZone, Inc.
Glenwood Springs, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of YouthZone, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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. 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 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 risk 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 YouthZone, Inc. at June 30, 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.

● 2700 GILSTRAP COURT, SUITE 100 ● P.O. BOX 370 ● GLENWOOD SPRINGS, CO 81602 ●
● (970) 945-8588 ● FAX (970) 945-2398 ●

Other Matters
Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Program Expenses are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hays, Maggard & Hood, P.C.

HAYS, MAGGARD & HOOD, P.C.
Glenwood Springs, Colorado
September 21, 2015

YOUTHZONE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 178,690	$ 138,068
Grants and Contributions Receivable	57,610	49,531
Other Receivables	7,452	12,295
Prepaid Expenses	7,191	3,863
TOTAL CURRENT ASSETS	250,943	203,757
FIXED ASSETS:		
Property, Vehicles and Equipment (Net of Accumulated Depreciation of $451,743 and $436,618)	193,345	203,919
OTHER ASSETS:		
Long-term Investments	468,262	410,883
Intangible Assets, Net	206,139	215,188
TOTAL ASSETS	$ 1,118,689	$ 1,033,747

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES:		
Accounts Payable	$ 3,118	$ 7,803
Accrued Liabilities	-	3,817
Other Liabilities	-	250
Deferred Revenues	41,750	1,540
Compensated Absences	15,843	10,110
TOTAL CURRENT LIABILITIES	60,711	23,520
NET ASSETS:		
Unrestricted –		
Invested in Fixed and Intangible Assets	399,484	419,107
Designated for Capital Reserve	50,000	50,000
Undesignated	550,589	535,120
Temporarily Restricted –		
For Outreach and Mentoring	20,000	-
For Scholarships	7,905	6,000
For PALS Program	30,000	-
TOTAL NET ASSETS	1,057,978	1,010,227
TOTAL LIABILITIES AND NET ASSETS	$ 1,118,689	$ 1,033,747

The accompanying notes are an integral part of these financial statements.

YOUTHZONE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT:		
Grants	$ 514,522	$ 458,568
Contributions	103,674	100,503
Foundations	76,645	124,887
In-Kind Contributions: Operations	60,636	60,636
Fundraising – Special Events (Including $29,000 In-Kind)	217,976	177,849
Fundraising – Donated Assets and Services In-Kind	3,084	12,829
REVENUES:		
Client Fees and Classes	116,925	96,863
Insight to Impact	11,490	8,800
Other Income	5,491	-
Interest and Net Investment Earnings (Note 4)	12,777	44,213
Net Loss on Asset Sales/Dispositions	(40)	(284)
NET ASSETS RELEASED FROM RESTRICTIONS:		
Restrictions Satisfied by Payments	90,080	94,862
TOTAL REVENUE AND OTHER SUPPORT	1,213,260	1,179,726
EXPENSES:		
Program Services –		
Prevention	225,432	268,792
Intervention	738,045	690,376
Insight to Impact (Including $9,049 Amortization)	20,539	13,180
Scholarships	-	3,552
Supporting Services –		
Management and General	125,035	138,773
Fundraising	55,900	49,700
Special Events (Including $29,000 In-Kind)	52,463	37,109
TOTAL EXPENSES	1,217,414	1,201,482
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(4,154)	(21,756)
TEMPORARILY RESTRICTED NET ASSETS		
NET ASSETS RELEASED FROM RESTRICTIONS:		
Temporarily Restricted Grants and Contributions	141,985	88,630
Restrictions Satisfied by Payments	(90,080)	(94,862)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	51,905	(6,232)
TOTAL INCREASE (DECREASE) IN NET ASSETS	47,751	(27,988)
NET ASSETS-BEGINNING OF YEAR	1,010,227	1,038,215
NET ASSETS-END OF YEAR	$ 1,057,978	$ 1,010,227

The accompanying notes are an integral part of these financial statements.

YOUTHZONE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 47,751	$ (27,988)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	17,479	28,569
Net Loss on Asset Sales/Dispositions	40	284
(Increase) Decrease in Grants and Contributions Receivable	(8,079)	12,923
(Increase) Decrease in Accounts Receivable	4,843	(590)
(Increase) Decrease in Prepaid Expenses	(3,328)	2,302
Increase (Decrease) in Accounts Payable	(4,685)	(25,413)
Increase (Decrease) in Accrued Liabilities	(3,817)	(5,407)
Increase (Decrease) in Other Liabilities	(250)	-
Increase (Decrease) in Deferred Revenues	40,210	(4,818)
Increase (Decrease) in Compensated Absences	5,733	(7,955)
Realized (Gain) Loss on Investments	(7,887)	(42,946)
Unrealized (Gain) Loss on Investments	7,004	6,472
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	95,014	(64,567)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	108,965	371,919
Purchase of Investments	(165,462)	(269,493)
Proceeds from Sale of Fixed Assets	-	250
Purchase of Fixed Assets	(6,944)	(13,419)
Intangible Asset Development (Costs)	-	(63,158)
Intangible Asset Amortization	9,049	9,049
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(54,392)	35,148
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,622	(29,419)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	138,068	167,487
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 178,690	$ 138,068

	2015	2014
NON-CASH TRANSACTIONS		
In-Kind Rent and Utilities	$ 60,636	$ 60,636
In-Kind Services	3,084	12,829
In-Kind Special Events Expenses	29,000	24,500
	$ 92,720	$ 97,965

The accompanying notes are an integral part of these financial statements.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

ORGANIZATION

YouthZone, Inc. (the Corporation) is a non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code and incorporated under Article 40, Title 7 of the Colorado Revised Statutes. Operations are centralized in Garfield County and in the Roaring Fork Valley of Colorado, which also includes Pitkin and West Eagle County.

The Corporation was formed in 1976 for charitable and educational purposes. The stated objectives of the Corporation include the promotion of programs concerning the problems and needs of youth and families; the development of cooperation and coordination among governmental and private agencies involved with youth and families; involvement of citizens of the community in the recognition of and solutions to youth and family problems and needs; the promotion of opportunities for all youth to be responsible, contributing members of society; and implementation of programs and proposals consistent with the purposes of the corporation. Through prevention, advocacy and direct services, YouthZone strives to enhance the quality of life in our communities.

The Corporation's support comes primarily through Federal, State and local grants, contracts and donor contributions. The Corporation provides services via individualized comprehensive programs to youth ages 6-18 years of age along a continuum of needs. The primary focus is on serving the underserved populations such as "at risk" youth, youth in the criminal justice system, single parents, teens and low-income families. Referrals from the court result in the agency working with youth from every socioeconomic level. No youth is denied services due to inability to pay a fee.

Prevention Philosophy
YouthZone believes that youth who actively participate in their community, are equipped with accurate information, and possess healthy life skills are less likely to engage in high risk behaviors including the abuse of alcohol, tobacco and other drugs. YouthZone prevention programming embraces this philosophy by providing a mentoring program, drug-free activities, education and community service opportunities.

Intervention Philosophy
YouthZone intervention philosophy is based on the principle of providing and/or finding the best possible services for each client. The client's needs are determined on an individual basis and include the client's parents and significant others concerned with the client's needs. YouthZone staff works with individual clients and families to provide tools for effective, positive behavior change.

The Corporation is governed by a Board of Directors which functions as a policy making board. The Bylaws dictate a membership of not less than five members. An Executive Director, whom is appointed by the Board, functions as the chief administrator and is directly responsible to the Board.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. In accordance with the Financial Accounting Standards Board (FASB) Codification Section 958, *Not-For-Profit Entities*, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations. The Board of directors may make designated reservations of unrestricted net assets for anticipated future outlay.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation 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 Corporation. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Corporation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

RECEIVABLES

The Corporation considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts is considered necessary. After reasonable collection efforts are made by management, the direct write-off method is used to recognize bad debt expense on uncollectible accounts.

PROPERTY AND EQUIPMENT

Acquisitions of furniture, equipment, vehicles and other capital assets are capitalized at cost or, if donated, at the approximate fair value at the date of donation. It is the Corporation's policy to capitalize expenditures for these items in excess of $1,000 for assets with an estimated useful life of more than one year. Lesser amounts are expensed.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	40 years
Leasehold Improvements	20 years
Furniture and Equipment	5 years
Vehicles	5 years

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor, if applicable, are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments are insured by the Securities Investor Protection Corporation (SIPC).

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Grants and other contributions of cash and other assets are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are due in the next year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Corporation's policy as to the acceptance of real or personal property is as follows: property, both real and personal, shall be examined by appropriate personnel to determine usefulness and appropriateness; if determined to be useful and appropriate the Corporation will accept such donations, provided an understanding and agreement is reached concerning disposition of such items.

The Corporation receives donated services from unpaid volunteers who assist in projects and fundraising. No amounts have been recognized in the statement of activities as the criteria for recognition have not been satisfied.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

SPENDING POLICY

In the event that the Corporation receives contributions to permanently restricted endowments, the Corporation's policy is to only spend earnings and not invade corpus of permanently restricted funds. As of June 30, 2015, the Corporation has not received any such contributions of permanently restricted endowment funds.

SUPPORT AND REVENUE

The Corporation received grants revenue from Federal, State and local agencies. Support received from grants is recognized as funds are expended on contract activities. The Corporation receives client fees for services and recognizes these fees when earned.

ALLOCATION OF FUNCTIONAL EXPENSES

The Corporation receives grant revenues from various Federal and State agencies which are designated for specific purposes. The majority of the Corporation's expenses are allocated to specific programs based on the percentage of time spent on each project compared to total time worked. In addition, costs which can be identified with specific projects and programs are allocated directly to that program.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from estimates.

INCOME TAXES

YouthZone, Inc., is a non-profit exempt under Code Section 501(c)(3) of the Internal Revenue Code with final approval dated May, 1976. The Corporation has been classified as an entity that is not a private foundation under Section 509(a)(2) and qualifies for charitable contribution deductions under Section 170(b)(1)(a). With exempt status, YouthZone, Inc., is exempt from Federal income taxes; therefore, no provision or liability for Federal income taxes has been included in these financial statements. There was no unrelated business income for the years ending June 30, 2015 and 2014.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, YouthZone, Inc., follows the use of a two-step approach for recognizing and measuring tax positions taken or expected to be taken in a tax return. First, a tax position should only be recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the taxing authority. Second, a tax position that meets the recognition threshold should be measured at the largest amount that has a greater than 50 percent likelihood of being sustained. YouthZone, Inc., had no material unrecognized tax benefits for the years ended June 30, 2015 and 2014, and no interest or penalties were accrued for unrecognized tax benefits during the year.

YouthZone, Inc., is no longer subject to Federal or State income tax examinations by tax authorities for the years before 2011.

NOTE 2 - *FAIR VALUES OF FINANCIAL INSTRUMENTS*

The Corporation has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements,* for financial and non-financial assets and liabilities measured at fair value on a recurring basis. The Corporation's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and investments. Management estimates that the fair value of all financial instruments at June 30, 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and cash equivalents approximate fair values because of short maturities of those instruments.

The objective of a fair value measurement is to determine 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 (an exit price). Fair value measurement uses a three tier hierarchy. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three tier hierarchy of inputs is summarized in the three broad levels as follows:

> Level 1 - *inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;*
>
> Level 2 - *inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;*
>
> Level 3 - *inputs are unobservable and reflect assumptions on the part of the reporting entity;*

The following table sets forth information about the level within the fair value hierarchy at which the Corporation's financial assets and liabilities are measured on a recurring basis as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Assets:				
Money Market Funds	$ 50,801	$ -	$ -	$ 50,801
Trading Securities	468,262	-	-	468,262
Total-*Recurring Basis*	$ 519,063	$ -	$ -	$ 519,063

The following table sets forth information about the level within the fair value hierarchy at which the Corporation's financial assets and liabilities are measured on a recurring basis as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Money Market Funds	$ 95,532	$ -	$ -	$ 95,532
Trading Securities	410,883	-	-	410,883
Total-*Recurring Basis*	$ 506,415	$ -	$ -	$ 506,415

NOTE 3 - *CASH AND CASH EQUIVALENTS*

The Corporation maintains bank accounts at several financial institutions located in Colorado. Accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and there were no bank balances in excess of the FDIC limit as of June 30, 2015. The Corporation also holds money market and investment accounts insured by the Securities Investor Protection Corporation (SIPC).

A summary of cash and cash equivalents follows:

	2015	2014
Bank Balances - Checking and Savings	$ 168,584	$ 66,209
Money Market Accounts	50,801	95,532
Net Outstanding Items	(40,695)	(23,673)
Total Carrying Balances	$ 178,690	$ 138,068

NOTE 4 - *LONG-TERM INVESTMENTS*

Investments are stated at fair value and consist of high-grade corporate bonds, government securities, mutual funds and corporate stocks as follows:

	June 30, 2015		
	Cost	Fair Value	Unrealized Gain/(Loss)
Government & Agency Securities	$ 55,037	$ 55,222	$ 185
High-Grade Corporate Bonds	81,845	82,366	521
Mutual Funds	85,000	81,081	(3,919)
Corporate Stocks	200,006	249,593	49,587
	$ 421,888	$ 468,262	46,374
Unrealized/(Gain) Loss Recognized in Prior Years			(39,370)
Unrealized Gain/(Loss) Recognized in 2015			$ 7,004

	June 30, 2014		
	Cost	Fair Value	Unrealized Gain/(Loss)
Government & Agency Securities	$ 47,595	$ 47,713	$ 118
High-Grade Corporate Bonds	78,000	90,065	12,065
Mutual Funds	60,000	58,839	(1,161)
Corporate Stocks	192,914	214,266	21,352
	$ 378,509	$ 410,883	32,374
Unrealized/(Gain) Loss Recognized in Prior Years			(38,846)
Unrealized Gain/(Loss) Recognized in 2014			$ (6,472)

NOTE 4 - *LONG-TERM INVESTMENTS, continued*

Investment return, including money market fund interest, is summarized as follows:

	2015	2014
Investment Interest and Dividends	$ 17,149	$ 13,635
Capital Gain Distributions	-	-
Other Income	982	147
Fees, Foreign Taxes and Other	(6,335)	(6,135)
Net Realized and Unrealized Gain/(Loss)	883	36,474
Bank Interest and Other Dividends	98	92
Unrestricted Investment Income (Loss)	$ 12,777	$ 44,213

Investment ratings, maturity and interest rates for securities and bonds as of June 30, 2015 are as follows:

	Rating	Maturity Date	Interest Rate
Government Agency Securities:			
US Treasury Bond	Aaa/AAA	11/15/16	7.500%
US Treasury Note	Aaa/AAA	05/15/19	3.120%
US Treasury Note	Aaa/AAA	11/15/19	3.370%
US Treasury Bond	Aaa/AAA	02/15/23	7.120%
US Treasury Bond	Aaa/AAA	02/15/27	6.620%
Corporate Bonds and Notes:			
Omnicom Group Inc Sr Debt	BBB+/Baa1	04/15/16	5.900%
Capital One Financial Corp	BBB-/Baa1/BBB+	09/01/16	5.820%
Bear Stearns Sr Note	A/A3/A+	02/01/18	7.250%
Goldman Sachs Sr Note	A-/A3/A	02/15/19	7.500%
Morgan Stanley Sr Note	A-/A3/A	05/13/19	7.300%
General Elec Med Term Note	AA+/A1	08/07/19	6.000%
Ford Motor Credit Co	BB-/Baa3/BBB-	01/15/20	8.120%
Bank Amer Funding Corp Note	A-/Baa1/A	07/01/20	5.620%
Expedia Inc Senior Note	BBB-/Ba1/BBB-	07/01/20	5.950%
Total Capital intnl Guar Note	AA-/Aa1/AA-	06/19/21	2.750%
Hewlett Packard Co	BBB+/Baa1/A-	12/09/21	4.650%
Citigroup Inc Note	A-/Baa1/A/A	10/25/23	3.870%

Maturity Schedule	0-5 Years	6-15 Years	16+ Years
Amount Maturing	$ 75,000	$ 47,000	$ -
Current Market Value	$ 83,233	$ 54,355	$ -
Percent of Total Value	60%	40%	0%

NOTE 5 - *FIXED ASSETS*

The following is a summary of fixed assets as of June 30:

	2015	2014
Building and Improvements	$ 290,747	$ 290,747
Leasehold Improvements	247,985	246,540
Furniture & Equipment	106,356	103,250
Less Accumulated Depreciation	(451,743)	(436,618)
TOTALS	$ 193,345	$ 203,919

Depreciation expense as of June 30 has been allocated as follows:

	2015	2014
Programs	$ 15,618	$ 25,901
Management and General	771	1,306
Fundraising	1,090	1,362
TOTALS	$ 17,479	$ 28,569

NOTE 6 - *COMMITMENTS*

The Corporation has entered into two copier lease agreements, effective July 1, 2012, for fixed terms of 42 months, with quarterly lease payments of $75.60 and $126.00.

The Corporation has entered into an office lease agreement with the Third Street Center in Carbondale, Colorado, effective for the period of May 1, 2014 to April 30, 2016, at a cost of $294 per month.

The Corporation has entered into an office lease agreement with Pitkin County for office space in the Schultz Health and Human Services Building in Aspen, Colorado, effective July 1, 2012, for a period of 5 years, at an annual rate of $2,652, which is being provided by the lessor as an annual in-kind rent contribution of $2,652 to the Corporation.

The net annual minimum lease payments are as follows:

Year Ended June 30,	Copier Leases	Net Office Leases
2016	$ 403	$ 5,592
2017	$ -	$ 2,652

NOTE 7 - *RETIREMENT PLAN*

The Corporation has a SIMPLE IRA retirement plan which covers all employees. The Corporation matches 100% of pre-tax contributions up to 3% of salary deferral elected by each eligible employee. The Corporation's contributions for the years ended June 30, 2015 and 2014 were $18,654 and $16,330, respectively.

NOTE 8 - *TEMPORARILY RESTRICTED NET ASSETS*

Temporarily restricted net assets at June 30, 2015 consist of $6,000 for scholarships and contributions for fiscal year 15/16 programs in the amount of $20,000 for Outreach and Mentoring, and $30,000 for Pals Plus.

NOTE 9 - *GRANTS*

The Corporation received Federal, State and Local government grants to carry on certain activities and programs reflected as grant revenues on the Statement of Activities:

	2015	2014
Colorado Division of Behavioral Health:		
Drug and Alcohol Grant (Temp Restr.)	$ 25,000	$ 20,000
Colorado Division of Youth Corrections:		
SB94 Program	167,012	137,271
SB215 Program	15,505	-
Colorado Division of Criminal Justice:		
Diversion Program	100,000	100,137
Local Government Grants:		
9th Judicial District – VALE Program	2,500	6,250
Garfield County – DHS/FACET Program	73,673	71,910
Garfield County – Diversion Program	58,000	58,000
Garfield County – Human Services Grant	40,000	40,000
Pitkin County – HHS Grant	57,500	45,000
Rifle Municipal Grant	332	-
Total Grants	$ 539,522	$ 478,568

NOTE 10 - *CONTRIBUTED MATERIALS & SERVICES*

The Corporation receives donations in the form of reduced or free rental of office space. The difference between the fair market value and actual rent paid was $60,636 in both 2015 and 2014, which has been reflected in the statement of activities in expenses and in-kind operational contribution revenue. The Corporation received donations of advertising and supplies for special events with a fair market value of $29,000 and $24,500 for June 30, 2015 and 2014 respectively, which has been reflected in the statement of activities in special events expenses and in-kind fundraising revenues. Other in-kind goods and professional services of $3,084 and $12,829 were received in fiscal years 2015 and 2014, respectively. The Corporation does not recognize any support or expense from services contributed by volunteers as the value of these services is not susceptible to objective measurement or valuation.

NOTE 11 - *RELATED PARTY TRANSACTIONS*

YouthZone, Inc., has entered into a sub-licensing agreement with Insight to Impact, Inc., of which Debra Wilde, a former Executive Director of YouthZone, and Mary Rippy, a former Board Member of YouthZone are shareholders.

YouthZone, Inc., has developed certain proprietary methodologies and works of authorship (the "YouthZone IP") that it combines with software as a "Hosted Service" web-based assessment tool with accompanying training pursuant to a software license "Hosting Agreement" under which YouthZone may sublicense certain of its rights thereunder to other youth serving entities operating within its defined mission. The YouthZone IP has been developed over a period of years at a total capitalized cost of $232,111, which is being amortized over a fifteen year period.

In order to facilitate the availability of the Hosted Service, the Corporation entered into a License and Distributor Agreement on October 31, 2013 appointing Insight to Impact as its exclusive authorized sub-licensor of YouthZone's rights under the Hosting Agreement for a period of five (5) years, after which the agreement may be extended for additional one (1) year terms. Under the agreement, the YouthZone IP and all intellectual property rights therein remain the exclusive property of YouthZone, and any modifications or other derivative works of the technology created, conceived, developed, reduced to practice or authored by Insight to Impact shall be the sole and exclusive property of Insight to Impact.

Under the agreement, after an initial two year start-up period, Insight to Impact, Inc., shall pay royalty payments to YouthZone, Inc., as percentage of the annual gross fees collected from the sub-licensing of the YouthZone IP commencing October 31, 2015 as follows:

Phase 1: During Phase 1, Insight to Impact shall pay YouthZone $250,000 in royalties according to the following tiered payment schedule:

Tier 1- 5% of gross revenues collected from the YouthZone IP when such annual revenues are $1,000,000 or less.

Tier 2- 7.5% of gross revenues collected from the YouthZone IP when such annual revenues are $1,000,001 to $2,000,000.

Tier 3- 10% of gross revenues collected from the YouthZone IP when such annual revenues are $2,000,001 or higher.

Thereafter: Upon payment of $250,000 in royalties, Phase 1 shall terminate and Insight to Impact shall pay a royalty of 2% of annual gross revenues collected from the YouthZone IP thereafter.

NOTE 12 - *RELATED ENTITY – YOUTHZONE FOUNDATION*

The YouthZone Foundation was created as an independent not-for-profit entity in December 2000. The Foundation's purpose is to make grants and to support YouthZone, Inc. and other organizations which support youth services. The Foundation operates on a calendar year basis. During the fiscal year ended June 30, 2015 and 2014, the YouthZone Foundation contributed $30,691 and $27,222 to the Corporation, respectively.

For the years ended December 31, 2014 and 2013, the Foundation's Assets, Liabilities, Equity and Activities were as follows:

		12/31/14	12/31/13
ASSETS			
Cash and Cash Equivalents		$ 61,082	$ 81,838
Investments		886,946	822,141
	Total Assets	$ 948,028	$ 903,979
EQUITY			
Net Assets – Unrestricted		$ 948,028	$ 903,979
ACTIVITIES			
Revenues:	Contributions	$ 43,315	$ 70,070
	Investment Income (Loss)	42,152	87,775
	Total Revenues	85,467	157,845
Expenses:	General and Administrative	12,355	29,989
	Distribution-YouthZone, Inc.	29,063	25,381
	Total Expenses	41,418	55,370
Increase in Net Assets		$ 44,049	$ 102,475

NOTE 13 - *SUBSEQUENT EVENTS*

In accordance with SFAS No. 165, the management of YouthZone, Inc., has evaluated events subsequent to June 30, 2015 through the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or YouthZone's results going forward.

SUPPLEMENTAL INFORMATION

YOUTHZONE, INC.
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2015

	Supporting Services		
PROGRAM SERVICES	Fundraising and Special Events	Management and General Administration	Total Supporting Services
OPERATING COSTS			
Salaries	$ 39,411	$ 33,428	$ 72,839
Payroll Taxes & Work Comp	3,272	9,661	12,933
Employee Benefits	3,357	8,050	11,407
Professional Fees	-	8,108	8,108
Supplies	681	53	734
Telecommunications	655	528	1,183
Occupancy	5,063	4,714	9,777
Postage	-	3,942	3,942
Printing and Publications	835	5,047	5,882
Staff Development	-	1,705	1,705
Travel	616	3,674	4,290
Insurance	176	8,964	9,140
Promotion and Advertising	-	14,338	14,338
Purchased Services	359	-	359
Technology and Other Expenses	385	22,052	22,437
Amortization	-	-	-
Depreciation	1,090	771	1,861
Special Events (Incl. $29,000 In-Kind)	52,463	-	52,463
OTHER			
Scholarships	-	-	-
Total Expenses	$ 108,363	$ 125,035	$ 233,398

The accompanying notes are an integral part of these financial statements.

Prevention Programs		
Youth Outreach/ Mentoring	Parenting	Total Prevention Programs
$ 75,447	$ 85,411	$ 160,858
6,070	6,864	12,934
6,402	7,517	13,919
78	-	78
1,591	1,409	3,000
1,180	1,349	2,529
9,622	10,678	20,300
-	-	-
303	-	303
280	961	1,241
616	-	616
385	439	824
2,551	-	2,551
-	-	-
1,802	80	1,882
-	-	-
2,088	2,309	4,397
-	-	-
-	-	-
$ 108,415	$ 117,017	$ 225,432

YOUTHZONE, INC.
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2015

	Intervention Programs			
PROGRAM SERVICES	DYC SB94/SB215	Diversion/ Court Services	VALE/VOCA Programs	Counseling/ Case Management
OPERATING COSTS				
Salaries	$ 100,408	$ 120,091	$ 2,191	$ 76,396
Payroll Taxes and Work Comp	7,999	9,677	185	6,155
Employee Benefits	7,113	10,776	204	6,868
Professional Fees	-	2,515	-	289
Supplies	3,641	1,609	37	1,252
Telecommunications	3,671	2,873	32	1,494
Occupancy	12,487	15,027	227	9,594
Postage	30	-	-	-
Printing and Publications	2,076	556	-	75
Staff Development	7,967	2,598	-	-
Travel	3,242	7,051	-	-
Insurance	514	617	59	392
Promotion and Advertising	-	-	-	-
Purchased Services	30,948	3,710	-	-
Technology and Other Expenses	211	3,997	-	190
Amortization	-	-	-	-
Depreciation	2,704	3,209	-	2,073
Special Events	-	-	-	-
OTHER				
Scholarships	-	-	-	-
Total Expenses	$ 183,011	$ 184,306	$ 2,935	$ 104,778

The accompanying notes are an integral part of these financial statements.

Intervention Programs *(continued)*			Model	Other	
DCJ Diversion Program	Garfield FACET Program	Total Intervention Programs	YouthZone Insight to Impact	Higher Education Scholarships	TOTAL EXPENSES
$ 116,073	$ 78,423	$ 493,582	$ -	$ -	$ 727,279
9,396	6,352	39,764	-	-	65,631
9,868	7,350	42,179	-	-	67,505
1,000	285	4,089	-	-	12,275
2,869	1,345	10,753	-	-	14,487
1,842	1,233	11,145	-	-	14,857
7,268	10,007	54,610	-	-	84,687
-	-	30	-	-	3,972
-	170	2,877	-	-	9,062
219	1,945	12,729	-	-	15,675
-	1,843	12,136	-	-	17,042
554	401	2,537	-	-	12,501
-	63	63	-	-	16,952
-	1,023	35,681	10,860	-	46,900
-	251	4,649	630	-	29,598
-	-	-	9,049	-	9,049
1,120	2,115	11,221	-	-	17,479
-	-	-	-	-	52,463
-	-	-	-	-	-
$ 150,209	$ 112,806	$ 738,045	$ 20,539	$ -	$ 1,217,414

YOUTHZONE, INC.
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2014

	Supporting Services		
PROGRAM SERVICES	Fundraising and Special Events	Management and General Administration	Total Supporting Services
OPERATING COSTS			
Salaries	$ 34,378	$ 41,177	$ 75,555
Payroll Taxes & Work Comp	3,068	9,321	12,389
Employee Benefits	3,089	7,964	11,053
Professional Fees	-	9,062	9,062
Supplies	454	538	992
Telecommunications	543	715	1,258
Occupancy	3,672	4,267	7,939
Postage	-	3,908	3,908
Printing and Publications	796	3,436	4,232
Staff Development	-	4,442	4,442
Travel	1,490	3,550	5,040
Insurance	107	9,132	9,239
Promotion and Advertising	-	18,218	18,218
Purchased Services	-	6,300	6,300
Technology and Other Expenses	741	15,437	16,178
Amortization	-	-	-
Depreciation	1,362	1,306	2,668
Special Events – (Incl. $24,500 In-Kind)	37,109	-	37,109
OTHER			
Scholarships	-	-	-
Total Expenses	$ 86,809	$ 138,773	$ 225,582

The accompanying notes are an integral part of these financial statements.

Prevention Programs		
Youth Outreach/ Mentoring	Parenting	Total Prevention Programs
$ 104,337	$ 91,177	$ 195,514
8,312	7,100	15,412
8,251	7,167	15,418
4,083	-	4,083
1,818	1,280	3,098
1,689	1,471	3,160
11,088	9,970	21,058
-	-	-
22	33	55
419	-	419
537	130	667
325	291	616
398	-	398
-	-	-
860	240	1,100
-	-	-
4,109	3,685	7,794
-	-	-
-	-	-
$ 146,248	$ 122,544	$ 268,792

YOUTHZONE, INC.
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2014

	Intervention Programs			
PROGRAM SERVICES	DYC SB94	Diversion/ Court Services	VALE/VOCA Programs	Counseling/ Case Management
OPERATING COSTS				
Salaries	$ 76,389	$ 114,287	$ 5,393	$ 82,657
Payroll Taxes and Work Comp	5,841	8,678	420	6,394
Employee Benefits	4,670	9,391	427	6,706
Professional Fees	-	11,519	-	-
Supplies	1,044	2,010	72	1,104
Telecommunications	3,987	2,401	86	1,358
Occupancy	8,328	12,485	105	8,971
Postage	-	-	-	-
Printing and Publications	-	13	-	48
Staff Development	2,555	6,267	-	141
Travel	2,859	8,503	-	984
Insurance	242	365	17	262
Promotion and Advertising	82	1,076	-	-
Purchased Services	26,722	9,694	-	-
Technology and Other Expenses	465	4,144	-	892
Amortization	-	-	-	-
Depreciation	3,075	4,608	-	3,320
Special Events	-	-	-	-
OTHER				
Scholarships	-	-	-	-
Total Expenses	$ 136,259	$ 195,441	$ 6,520	$ 112,837

The accompanying notes are an integral part of these financial statements.

Intervention Programs *(continued)*			Model	Other	
DCJ Diversion Program	Garfield FACET Program	Total Intervention Programs	YouthZone Insight to Impact	Higher Education Scholarships	TOTAL EXPENSES
$ 115,624	$ 60,704	$ 455,054	$ -	$ -	$ 726,123
8,835	4,751	34,919	-	-	62,720
8,950	4,727	34,871	-	-	61,342
-	1,013	12,532	-	-	25,677
2,537	1,095	7,862	489	-	12,441
1,847	990	10,669	597	-	15,684
12,585	6,690	49,164	683	-	78,844
46	-	46	-	-	3,954
-	226	287	-	-	4,574
-	341	9,304	-	-	14,165
-	455	12,801	-	-	18,508
366	195	1,447	110	-	11,412
-	48	1,206	-	-	19,822
-	-	36,416	-	-	42,716
-	190	5,691	2,252	-	25,221
-	-	-	9,049	-	9,049
4,638	2,466	18,107	-	-	28,569
-	-	-	-	-	37,109
-	-	-	-	3,552	3,552
$ 155,428	$ 83,891	$ 690,376	$ 13,180	$ 3,552	$ 1,201,482