

**SYA FOUNDATION**

**Report on Audited Financial Statements**

**Year Ended December 31, 2015**

**SYA FOUNDATION**  
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Year Ended December 31, 2015

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
SYA Foundation  
Los Alamitos, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of SYA Foundation (a California non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from SYA Foundation's December 31, 2014, financial statements, and in our report dated May 18, 2015, we expressed an unqualified (unmodified) opinion on those 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 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 SYA Foundation, as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'James G. Davidson', with a long horizontal flourish extending to the right.

James G. Davidson, CPA, CGFM, CFE  
J G Davidson and Company  
Westminster, California  
March 29, 2016

## SYA FOUNDATION

### Statement of Financial Position

December 31, 2015 with Summarized Totals for December 31, 2014

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals Dec. 31, 2015	Totals Dec. 31, 2014
Current Assets:					
Cash and cash equivalents	\$ 313,116	-	-	\$ 313,116	\$ 264,985
Grant receivable	-	\$ 30,000	-	30,000	-
Coin inventory	4,588	-	-	4,588	6,020
Deposit on construction project	-	-	\$ 100,000	100,000	100,000
Total Current Assets	317,704	30,000	100,000	447,704	371,005
Property and Equipment:					
Furniture and fixtures	5,479	-	-	5,479	5,479
Computer equipment	13,694	-	-	13,694	13,498
Equipment related to program mission	55,552	-	-	55,552	52,602
Total Property and Equipment	74,725	-	-	74,725	71,579
Accumulated depreciation	(35,158)	-	-	(35,158)	(24,447)
Net Property and Equipment	39,567	-	-	39,567	47,132
Other Assets:					
Organization costs, net of accumulated amortization	3,414	-	-	3,414	6,564
Total Other Assets	3,414	-	-	3,414	6,564
Total Assets	\$ 360,685	\$ 30,000	\$ 100,000	\$ 490,685	\$ 424,701

See accompanying independent auditor's report and notes to financial statements.

**SYA FOUNDATION**

Statement of Financial Position (continued)

December 31, 2015 with Summarized Totals for December 31, 2014

<b>LIABILITIES AND NET ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals Dec. 31, 2015</u>	<u>Totals Dec. 31, 2014</u>
<b>Current Liabilities:</b>					
Accounts payable	\$ 3,321	-	-	\$ 3,321	\$ 218
Deferred grant revenue	-	\$ 30,000	-	30,000	-
Total Current Liabilities	<u>3,321</u>	<u>30,000</u>	<u>-</u>	<u>33,321</u>	<u>218</u>
<b>Net Assets:</b>					
Unrestricted (deficit)	357,364	-	-	357,364	324,483
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	\$ 100,000	100,000	100,000
Total Net Assets	<u>357,364</u>	<u>-</u>	<u>100,000</u>	<u>457,364</u>	<u>424,483</u>
Total Liabilities and Net Assets	<u>\$ 360,685</u>	<u>\$ 30,000</u>	<u>\$ 100,000</u>	<u>\$ 490,685</u>	<u>\$ 424,701</u>

See accompanying independent auditor's report and notes to financial statements.

## SYA FOUNDATION

### Statement of Activities

Year Ended December 31, 2015 with Summarized Totals for the Year Ended December 31, 2014

<b>REVENUES</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals Dec. 31, 2015</u>	<u>Totals Dec. 31, 2014</u>
<b>Revenues and Other Support:</b>					
Cash contributions	\$ 164,689	-	-	\$ 164,689	\$ 269,370
In-kind contributions	3,292	-	-	3,292	-
Gala revenue, net of costs of \$102,434	-	-	-	-	28,618
Family day revenue (loss), net of costs of \$34,167	(5,768)	-	-	(5,768)	3,928
Booster and picture sales, net of costs of \$1,205	8,557	-	-	8,557	4,744
Scholarships	-	-	-	-	4,000
Fingerprint revenue	2,473	-	-	2,473	6,068
Interest revenue	765	-	-	765	119
Run club revenue	90	-	-	90	2,562
Miscellaneous revenue	175	-	-	175	1,272
Total Revenues and Other Support	<u>174,273</u>	<u>-</u>	<u>-</u>	<u>174,273</u>	<u>320,681</u>
<b>Functional Expenses:</b>					
Program services	124,773	-	-	124,773	143,251
Supporting services / management and general	16,362	-	-	16,362	17,236
Supporting services / fund-raising	257	-	-	257	229
Total Functional Expenses	<u>141,392</u>	<u>-</u>	<u>-</u>	<u>141,392</u>	<u>160,716</u>
<b>CHANGE IN NET ASSETS</b>					
Net increase in net assets	32,881	-	-	32,881	159,965
Net assets, as of the beginning of the year	<u>324,483</u>	<u>-</u>	<u>\$ 100,000</u>	<u>424,483</u>	<u>264,518</u>
Net assets, as of the end of the year	<u><u>\$ 357,364</u></u>	<u><u>-</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 457,364</u></u>	<u><u>\$ 424,483</u></u>

See accompanying independent auditor's report and notes to financial statements.

# SYA FOUNDATION

## Statement of Functional Expenses

Year Ended December 31, 2015 with Summarized Totals for the Year Ended December 31, 2014

<u>EXPENSES BY FUNCTION</u>	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>		Totals <u>Dec. 31, 2015</u>	Totals <u>Dec. 31, 2014</u>
	Sunburst	Management				
	Youth <u>Challenge</u>	and General	<u>Fund-raising</u>			
Accounting fees	\$ 5,369	\$ 2,301	-	-	\$ 7,670	\$ 6,562
Amortization	-	3,150	-	-	3,150	3,150
Bank service charges	-	38	-	-	38	11
Books, subscriptions, and references	-	2,339	-	-	2,339	3,040
Coins	1,432	-	-	-	1,432	1,387
Conference and convention	567	-	-	-	567	245
Contribution	400	-	-	-	400	125
Depreciation	7,498	3,213	-	-	10,711	10,441
Field trips	8,925	-	-	-	8,925	17,315
Fingerprinting	1,362	-	-	-	1,362	327
Food	16,328	-	-	-	16,328	19,034
Legal fees	1,393	597	-	-	1,990	-
Medical and nutrition	1,371	-	-	-	1,371	3,974
Mentoring	-	-	-	-	-	261
Miscellaneous	-	-	-	-	-	792
Office expense	4,157	1,781	-	-	5,938	9,270
Outside services	7,168	-	-	-	7,168	2,700
Parent expenses	-	-	-	-	-	40
Postage and delivery	-	430	-	-	430	479
Printing and copying	9,776	-	-	-	9,776	10,269
Promotions and marketing	-	-	\$ 257	-	257	229
Run club	1,889	-	-	-	1,889	5,056
Scholarships	20,375	-	-	-	20,375	23,000
Small tools	520	-	-	-	520	776
Supplies	799	-	-	-	799	2,329
Taxes	-	95	-	-	95	100
Telephone and communications	-	2,418	-	-	2,418	2,574
Training	646	-	-	-	646	1,312
Travel	-	-	-	-	-	274
Uniforms	33,311	-	-	-	33,311	35,644
Wrist bands	1,487	-	-	-	1,487	-
Total Expenses by Function	<u>\$ 124,773</u>	<u>\$ 16,362</u>	<u>\$ 257</u>	-	<u>\$ 141,392</u>	<u>\$ 160,716</u>

See accompanying independent auditor's report and notes to financial statements.



# SYA FOUNDATION

## Statement of Cash Flows

Year Ended December 31, 2015 with Summarized Totals for the Year Ended December 31, 2014

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 164,689	\$ 269,370
Cash received from gala event	-	131,052
Cash received from special events	28,399	36,312
Cash received from booster and picture sales	9,762	7,000
Cash received from fingerprinting services	2,473	6,068
Cash received from scholarships	-	4,000
Cash received from run club	90	2,562
Cash received from other sources of revenue	940	1,391
Cash paid for program services, management and general expenses, and fund-raising	(119,704)	(153,590)
Cash paid for gala event	-	(102,434)
Cash paid for special events and cost of pictures	(35,372)	(34,640)
Net Cash Provided by Operating Activities	<u>51,277</u>	<u>167,091</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in computers and equipment related to program mission	(3,146)	(17,254)
Net Cash Used for Investing Activities	<u>(3,146)</u>	<u>(17,254)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts on loan receivable	-	386
Net Cash Provided by Financing Activities	<u>-</u>	<u>386</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Net increase in cash and cash equivalents	48,131	150,223
Cash and cash equivalents, as of the beginning of the year	264,985	114,762
Cash and cash equivalents, as of the end of the year	<u>\$ 313,116</u>	<u>\$ 264,985</u>
<b>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 32,881	\$ 159,965
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,861	13,591
(Increase) in grants receivable	(30,000)	-
Decrease (increase) in coin inventory	1,432	(6,020)
Increase (decrease) in accounts payable	3,103	(445)
Increase in deferred grant revenue	30,000	-
Net Cash Provided by Operating Activities	<u>\$ 51,277</u>	<u>\$ 167,091</u>

See accompanying independent auditor's report and notes to financial statements.

**SYA FOUNDATION**  
Notes to Financial Statements  
Year Ended December 31, 2015

**NOTE 1 – NATURE OF ORGANIZATION**

Sunburst Youth Academy Foundation (the “Foundation”), located in Los Alamitos, California, was organized on September 8, 2010 under Internal Revenue Code 501(c)(3), for the purpose of providing financial and administrative resources and support for the Sunburst Youth Academy. The academy conducts educational programs designed to intervene in and reclaim the lives of 16 to 18 year old high school drop outs, producing program graduates with the values, skills, education, and self-discipline necessary to succeed as productive citizens.

The core program of the academy is the Sunburst Youth Challenge, conducted as a Community High School, run by the California National Guard in partnership with the Orange County Department of Education. The academy is a five and one-half month long residential, military style academy structured to promote an academic environment where students will earn 60 high school credits, develop leadership, cooperation, and academic skills, while improving self esteem, pride, and confidence.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

- a) Unrestricted net assets are those currently available for use in the operations of the Foundation under the direction of the Board.
- b) Temporarily restricted net assets are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment, or those not currently available for use until commitments regarding their use have been fulfilled.
- c) Permanently restricted net assets are those stipulated by donors that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions.

**Cash and Cash Equivalents** - The Foundation defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less.

**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 those estimates.

**Fair Value of Financial Instruments** - Carrying amounts of financial instruments, including certificates of deposit, approximated fair value as of December 31, 2015, because of the relatively short maturity of these instruments.

**SYA FOUNDATION**  
Notes to Financial Statements  
Year Ended December 31, 2015

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property and Equipment*** - Property and equipment are capitalized at historical cost or fair market value at the date of donation, if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation purchased furniture and fixtures, computers, and other office equipment. These assets are depreciated over their estimated useful lives using a straight-line or declining balance method. Estimated useful lives range from five to ten years.

***Inventory*** - Coin inventory is stated at the lower of cost or market. Cost is determined using the first-in-first-out method.

***Intangible Assets*** - Intangible assets consists of legal costs related to the formation of the Foundation. These costs are amortized over five years on a straight line basis, beginning February 3, 2012.

***Restricted and Unrestricted Revenue and Support*** - In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A donor-imposed restriction specifies a use that is more specific than the broad limits associated with the nature of the Foundation. A donor-imposed condition specifies a future and uncertain event whose occurrence or failure to occur gives the donor a right to the return of the assets provided. Amounts received (or promised) that are conditioned upon such future and uncertain events are recorded as a liability until the condition that entitles the Foundation to keep the funds is met. When and if that event occurs, the amounts received are recognized as a contribution at that time.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor 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 Statement of Activities as net assets released from restrictions.

Grants represent contributions if the resource provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Receipts subsequent to the financial statement date, from contributions previously subject to conditions that have been substantially met as of the financial statement date, and grants not considered exchange transactions in which conditions have been substantially met as of the financial statement date, are considered receivables and earned revenue as of that date.

**SYA FOUNDATION**  
Notes to Financial Statements  
Year Ended December 31, 2015

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Donated Materials and Services*** - If materials or other noncash contributions are received through donation, their value is reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contribution of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

***Expense Allocation*** - The expenses of the Foundation have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain expenses have been allocated among the program and supporting services benefited.

**NOTE 3 – CASH**

Cash and cash equivalents consisted entirely of demand deposits, as of December 31, 2015, and as of December 31, 2014.

**NOTE 4 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

No payments were made during the year ended December 31, 2015, or for the year ended December 31, 2014, for interest or for income taxes.

**NOTE 5 – INCOME TAXES**

The Foundation is a tax-exempt organization (“other than a private foundation”) under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist for the Foundation as of December 31, 2015. Tax years 2013 through 2015 remain subject to examination by taxing authorities.

**SYA FOUNDATION**  
Notes to Financial Statements  
Year Ended December 31, 2015

**NOTE 6 – TRANSACTIONS WITH RELATED PARTIES**

As described in NOTE 1 to the financial statements, the Sunburst Youth Academy Foundation is a non-profit 501(c)(3) organization formed to support the Sunburst Youth Challenge Academy, which is one of 35 programs throughout the United States and Puerto Rico. The Foundation also had other related party associations as of December 31, 2015, and as of December 31, 2014.

These other associations are:

First, is the National Guard Youth Foundation (NGYF). NGYF is a non-profit 501(c)(3) organization formed to support the National Guard Youth ChalleNGe Program. The *NG* designation in the word “Challenge” represents “National Guard”. The mission of the National Guard Youth Foundation is to advocate for and support the 35 National Guard Youth ChalleNGe Programs. NGYF provides scholarships, training, grants for expansion, and workforce transition assistance to the graduates of ChalleNGe Programs and fosters program awareness to promote the success of each program. In cooperation with the ChalleNGe Programs, they assist adolescents who drop out of school with the opportunity to improve their life skills, education and employability, creating the next generation of skilled workforce in America.

Second, is the California Military Department (CMD). The CMD is the overarching parent organization for the Youth & Community Programs Task Force and the Sunburst Youth Challenge Academy. The CMD manages all programs for the California Guard.

In April 2012, the NGYF provided a onetime grant of \$300,000 to the Sunburst Youth Challenge Academy in order to expand their program from 150 to 200 graduates per class. This grant was delivered from NGYF to SYA Foundation. SYA Foundation created a Memorandum of Agreement (MOA) with the CMD and forwarded all \$300,000, to be allocated to the Sunburst Youth Challenge Academy budget.

**NOTE 7 – GRANT RECEIVABLE AND DEFERRED GRANT REVENUE**

On December 11, 2015, SYA Foundation received a grant from the California Community Foundation through the Los Angeles Scholars Investment Fund. The Los Angeles Scholars Investment Fund is a partnership between California Community Foundation, College Futures Foundation, and a growing network of foundation and individual supporters to increase college attainment for students from low-income families in Los Angeles County. The grant, in the amount of \$30,000 begins January 1, 2016, and ends December 31, 2017, and is for the explicit purpose to provide scholarships for 35 graduates of the Sunburst Youth Academy for post-secondary education. At least 60% of scholarships funded by this grant are to support male students. The first reporting period, as required by the grantor, is from January 2016 through September 2016. A second reporting period is from October 2016 through December 2017. The grant proceeds will be received in two increments of \$20,000 and \$10,000 for the two required reporting periods, respectively. See description of the significant accounting policy statement on page 9 entitled *Restricted and Unrestricted Revenue and Support*.

**SYA FOUNDATION**  
Notes to Financial Statements  
Year Ended December 31, 2015

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSET**

On February 21, 2013, SYA Foundation created a Memorandum of Agreement (MOA) with the California Military Department (CMD) and forwarded \$100,000 to be designated for the financing of the construction of two basketball courts. Similar to the treatment of leasehold improvements, land improvements constructed on federal property remains the property of the federal government. Therefore, title to the project does not reside, and will not reside, with the Foundation during construction or upon its completion. The Foundation will however, continue to control the use of this land improvement under the agreement. When completed and placed in service, the cost of the basketball courts will be depreciated over an estimated useful life of 20 years, based on a straight line depreciation method.

**NOTE 9 – CONSTRUCTION IN PROGRESS**

As referenced in NOTE 8, an amount of \$100,000 has been designated for the financing of the construction of two basketball courts. Construction which was to be completed before December 31, 2015, has been delayed to the following year. The current estimated completion date is September 30, 2016.

**NOTE 10 – PRIOR YEAR SUMMARIZED COMPARATIVE DATA**

The financial statements include, certain prior-year summarized, comparative, information in total, but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**NOTE 11 – SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 29, 2016, the date which the financial statements were available to be issued.