

IDAHO YOUTH RANCH, INC. AND AFFILIATE

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2011 AND 2010

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Idaho Youth Ranch, Inc. and Affiliate
Boise, Idaho

We have audited the accompanying consolidated statement of financial position of Idaho Youth Ranch, Inc. and Affiliate as of June 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The June 30, 2010, summarized comparative information has been derived from the financial statements of Idaho Youth Ranch, Inc. and Affiliate as of June 30, 2010, which were audited by LeMaster & Daniels PLLC (whose practice became part of LarsonAllen LLP effective November 1, 2010), whose report dated October 28, 2010, expressed an unqualified opinion on those statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Idaho Youth Ranch, Inc. and Affiliate as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic 2011 consolidated financial statements of Idaho Youth Ranch, Inc. and Affiliate taken as a whole. The accompanying 2011 supplementary information on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the basic 2011 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

The consolidated financial statements of Idaho Youth Ranch, Inc. and Affiliate for the year ended June 30, 2010, were audited by LeMaster & Daniels PLLC (whose practice became part of LarsonAllen LLP effective November 1, 2010), whose report dated October 28, 2010, on the 2010 supplementary information stated such information had been subjected to the auditing procedures applied in the audit of the basic 2010 consolidated financial statements and expressed an unqualified opinion on the supplementary information.

LarsonAllen LLP
LarsonAllen LLP

Boise, Idaho
November 17, 2011

IDAHO YOUTH RANCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 93,256	\$ 174,332
Investments	16,628,038	14,232,299
Accounts Receivable	151,260	239,022
Grants Receivable	104,928	-
Promises to Give	238,667	-
Prepaid Expenses	124,062	172,345
Resale Inventories	377,517	422,208
Notes and Estates Receivable	397,642	356,115
Total Current Assets	18,115,370	15,596,321
NONCURRENT ASSETS		
Land, Buildings, and Equipment, Less Accumulated Depreciation of \$7,883,275 and \$7,364,464, Respectively	16,545,579	17,078,941
Total Assets	\$ 34,660,949	\$ 32,675,262
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 387,779	\$ 195,869
Annuities Payable	16,087	33,771
Accrued Expenses	1,184,488	849,427
Deferred Revenue	49,138	45,088
Line of Credit	17,338	-
Current Maturities of Note Payable	46,438	125,034
Total Current Liabilities	1,701,268	1,249,189
LONG-TERM DEBT		
Note Payable, Less Current Maturities	4,007,010	4,053,473
Total Liabilities	5,708,278	5,302,662
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Undesignated	25,565,098	9,573,073
Board-Designated Endowment	-	15,235,890
Total Unrestricted	25,565,098	24,808,963
Temporarily Restricted	246,644	225,817
Permanently Restricted	3,140,929	2,337,820
Total Net Assets	28,952,671	27,372,600
Total Liabilities and Net Assets	\$ 34,660,949	\$ 32,675,262

See accompanying Notes to Consolidated Financial Statements.

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Contributions	\$ 837,166	\$ 133,468	\$ 803,109	\$ 1,773,743	\$ 1,386,027
Grants	-	419,511	-	419,511	362,273
Fundraising	33,165	-	-	33,165	57,253
Program Services	1,179,419	-	-	1,179,419	1,744,571
Thrift Enterprises	11,446,246	-	-	11,446,246	10,678,283
Rent	83,274	-	-	83,274	237,702
Interest and Dividends	458,128	104,352	-	562,480	532,908
Gain on Sale of Investments	197,166	-	-	197,166	-
Gain on Sale of Assets	127,405	-	-	127,405	49,019
Unrealized Gain					
on Investments	1,240,929	-	-	1,240,929	952,587
Miscellaneous Income	20,986	-	-	20,986	25,062
Net Assets Released from					
Program Restrictions	636,504	(636,504)	-	-	-
Total Support and Revenue	<u>16,260,388</u>	<u>20,827</u>	<u>803,109</u>	<u>17,084,324</u>	<u>16,025,685</u>
EXPENSES					
Program Expenses:					
Residential	3,154,284	-	-	3,154,284	3,279,016
Family Services	332,268	-	-	332,268	470,708
Adoption and Foster Care	238,200	-	-	238,200	382,041
Thrift Enterprises	9,456,079	-	-	9,456,079	9,636,401
Total Program Expenses	<u>13,180,831</u>	<u>-</u>	<u>-</u>	<u>13,180,831</u>	<u>13,768,166</u>
Supporting Services:					
General and Administration	1,460,308	-	-	1,460,308	1,240,829
Fundraising	863,114	-	-	863,114	575,127
Total Supporting Services	<u>2,323,422</u>	<u>-</u>	<u>-</u>	<u>2,323,422</u>	<u>1,815,956</u>
Total Expenses	<u>15,504,253</u>	<u>-</u>	<u>-</u>	<u>15,504,253</u>	<u>15,584,122</u>
NET INCREASE IN NET ASSETS	756,135	20,827	803,109	1,580,071	441,563
Net Assets - Beginning of Year	<u>24,808,963</u>	<u>225,817</u>	<u>2,337,820</u>	<u>27,372,600</u>	<u>26,931,037</u>
NET ASSETS - END OF YEAR	<u>\$25,565,098</u>	<u>\$ 246,644</u>	<u>\$ 3,140,929</u>	<u>\$28,952,671</u>	<u>\$ 27,372,600</u>

See accompanying Notes to Consolidated Financial Statements.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011						2010	
	Program Services				Supporting Services			
	Community Services				General and Fundraising and			
	Residential	Family Services	Adoption and Foster Care	Thrift Enterprises	Administration	Planned Giving	Total	Total
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ 568,157	\$ -	\$ -	\$ 568,157	\$ 720,235
Salaries and Wages	1,716,766	213,155	151,787	4,162,187	478,617	424,604	7,147,116	7,049,475
Employee Benefits and Payroll Taxes	406,563	43,507	32,699	964,045	310,277	49,914	1,807,005	1,901,856
Employee Travel and Meals	25,512	5,693	3,050	56,219	8,802	13,141	112,417	95,995
Employee Training and								
Professional Fees	6,768	5,427	1,069	2,141	1,660	6,143	23,208	17,980
Temporary Labor	8,484	4	7	480,291	21,921	22	510,729	469,300
Client Necessities	225,294	3,143	354	-	-	-	228,791	242,467
Scholarships	-	-	-	-	-	14,485	14,485	11,250
Professional Services	1,963	5,842	1,179	4,291	100,079	19,004	132,358	164,639
Advertising and Promotions	15,755	782	11,212	66,987	3,820	45,495	144,051	113,294
Fundraising Campaigns and Events	11,274	-	-	-	94	28,175	39,543	22,290
Occupancy	14,064	7,315	13,474	476,669	42,128	7,353	561,003	580,718
Utilities	171,393	9,601	8,261	648,753	35,230	6,849	880,087	937,308
Repairs and Maintenance	99,499	1,019	999	455,253	17,347	3,312	577,429	478,009
Rental Property Repairs and Maintenance	-	-	-	-	14,347	-	14,347	13,362
Vehicle Expense	60,875	11,393	857	171,061	10,583	1,466	256,235	227,734
Rent - Equipment	2,571	-	-	274,901	2,129	-	279,601	255,542
General Supplies	63,724	5,849	7,243	393,666	57,163	148,730	676,375	635,800
Insurance	31,001	6,138	2,543	107,266	16,917	1,714	165,579	235,441
Credit Card Fees and Bank Charges	3,820	478	645	157,520	68,678	2,347	233,488	151,587
Interest	-	-	-	-	170,350	-	170,350	303,710
Investment Fees	-	-	-	-	-	60,733	60,733	52,794
Miscellaneous	29,061	514	343	55,036	14,651	14,035	113,640	80,512
	<u>2,894,387</u>	<u>319,860</u>	<u>235,722</u>	<u>9,044,443</u>	<u>1,374,793</u>	<u>847,522</u>	<u>14,716,727</u>	<u>14,761,298</u>
Depreciation	254,710	10,298	2,405	280,243	55,710	5,138	608,504	647,021
Amortization	5,187	2,110	73	131,393	29,805	10,454	179,022	175,803
Total	<u>\$ 3,154,284</u>	<u>\$ 332,268</u>	<u>\$ 238,200</u>	<u>\$ 9,456,079</u>	<u>\$ 1,460,308</u>	<u>\$ 863,114</u>	<u>\$ 15,504,253</u>	<u>\$ 15,584,122</u>

See accompanying Notes to Consolidated Financial Statements.

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Net Assets	\$ 1,580,071	\$ 441,563
Adjustments to Reconcile Net Increase In Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	608,504	647,021
Amortization	179,022	175,803
Gain on Sale of Assets	(324,571)	(49,019)
Unrealized Gain on Investments	(1,240,929)	(962,150)
Noncash Contributions	-	(43,244)
(Increase) Decrease in Assets:		
Accounts Receivable	87,762	63,207
Grant Receivable	(104,928)	8,729
Promises to Give	(238,667)	-
Prepaid Expenses	48,283	(20,431)
Resale Inventories	44,691	64,544
Notes and Estates Receivable	(41,527)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	191,910	(121,934)
Annuities Payable	(17,684)	(20,417)
Accrued Expenses	335,061	(35,415)
Deferred Revenue	4,050	11,383
Net Cash Provided by Operating Activities	1,111,048	159,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(428,016)	(222,029)
Proceeds from Sale of Property	173,852	94,642
Purchase of Investments	(7,299,400)	(578,300)
Proceeds from Sale of Investments	6,469,161	-
Net Cash Used by Investing Activities	(1,084,403)	(705,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	417,029	-
Principal Payments on Line of Credit	(399,691)	-
Principal Payments on Long-Term Debt	(125,059)	(119,964)
Net Cash Used by Financing Activities	(107,721)	(119,964)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,076)	(666,011)
Cash and Cash Equivalents - Beginning of Year	174,332	840,343
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 93,256	\$ 174,332
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash Paid for Interest	\$ 170,350	\$ 302,789
Noncash Contributions of Inventory and Other Items	\$ 327,719	\$ 303,967

See accompanying Notes to Consolidated Financial Statements.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 ORGANIZATION

Nature of Operations

References to Idaho Youth Ranch, Inc. and Affiliate (the Organization) relate to the consolidated activities of Idaho Youth Ranch, Inc. (the Corporation), Idaho Youth Ranch Foundation, Inc. (the Foundation), and Idaho Youth Ranch Nagel Center, LLC (Nagel LLC).

The Corporation is a private, nonprofit organization incorporated in the state of Idaho on April 7, 1953. The Corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, maintains its headquarters in Boise, Idaho, and has operating facilities at several locations within the state.

The Foundation is a private, nonprofit organization, which was incorporated in the state of Idaho on May 1, 1982. The Foundation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, maintains its headquarters in Boise, Idaho. The Foundation was established to support the advancement of the charitable purposes of the Corporation. The purpose of the Foundation is to administer funds under its control for the benefit of the Corporation. In fiscal year 2010, it was determined that the separation of Idaho Youth Ranch, Inc., and Idaho Youth Ranch Foundation, Inc., was no longer in the best interest of the Organization. The Idaho Youth Ranch Foundation was dissolved and all assets and liabilities were transferred to the Corporation on March 31, 2010.

Nagel LLC is wholly owned by the Corporation and was established in 2006 to acquire the building complex located at 5465 W. Irving Street in Boise, Idaho (Nagel Center). The Nagel Center is the location of the Corporation's Boise Distribution Center, Boise Thrift Outlet, eCommerce Division, Family Services South, and Administrative offices for all of its operations and those of its affiliates. Nagel LLC purchased the Nagel Center with new market tax credit financing through Key Bank. It leases the Nagel Center to the Corporation and does not have employees.

Programs and Services

The Corporation provides the following services:

- Long-Term Care for Youth
- Group Home Service
- Emergency Shelter Service for Abused, Neglected, and Runaway Youth
- Counseling Service for Families and Children
- Adoption Service
- Foster Care Recruitment and Training
- Thrift Enterprises

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 ORGANIZATION (CONTINUED)

Programs and Services (Continued)

The Corporation operates the following facilities/activities, all fully licensed by the state of Idaho.

Ranch Campus

This facility is located near Rupert, Idaho, and provides a structured residential program to remediate emotional and behavioral disturbances. An equestrian therapy program and 4-H program are operated as part of this facility.

Anchor House

This facility is located in Coeur d'Alene, Idaho, and provides structured community-based residential services, substance abuse treatment, education, and other related services to troubled youth.

Discovery House

This facility is located in Nampa, Idaho, and provided structured community-based residential services, substance abuse treatment, education, and other related services to troubled youth until closed in October 2009. The program was suspended due to state budget cuts and lack of contract utilization, but the Organization maintains ownership of the property and intends to re-open the program. The Organization is currently exploring opportunities with other nonprofit organizations for use of the space.

Hays Shelter Home

This facility is located in Boise, Idaho, and provides short-term residential, transitional living, counseling, and educational services to abused, neglected, and homeless youth.

Family Services

This program, based in Boise, Idaho, and with a satellite location in Coeur d'Alene, Idaho, provides counseling and case management services designed to keep families together, reunite families that have experienced out-of-home care, improve family functioning, and reduce the number of children placed in out-of-home care.

Adoption and Foster Care Services

Based in Coeur d'Alene, Idaho, the Corporation functions as a licensed adoption agency and provides comprehensive adoption services. Foster care services are limited to the recruitment and training of foster parents in northern Idaho. The Boise-based adoptions program was transitioned over to another company, A New Beginning Adoption Agency, Inc., beginning in April 2010 and completed early in fiscal year 2011.

Administration and Fundraising

The corporate, administrative, and fundraising offices are located in Boise, Idaho.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 ORGANIZATION (CONTINUED)

Programs and Services (Continued)

Thrift Enterprises

The Corporation sells donated and purchased merchandise through retail thrift stores operated at 24 locations throughout Idaho, one location in Ontario, Oregon, two outlet stores located in the Boise metro area, online book and collectable sales based out of Boise, and one vehicle sales lot in Boise. Storage and distribution warehouses are located in Boise, Twin Falls, Kuna, Rupert, and Coeur d'Alene, Idaho. Proceeds from retail operations provide some of the financial support for treatment programs and services. In addition, the stores provide community service and volunteer opportunities, work experience, and training for Idaho Youth Ranch program recipients and other community members. The Corporation makes affordable goods available to the general public and facilitates the re-use of items that would otherwise be discarded in state landfills.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

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

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts represent those funds which the Board has, or may, set aside for a particular purpose.

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

Permanently Restricted – Those resources subject to donor imposed restrictions where the principal cannot be used for current operations.

Consolidated Statements

The Organization has been consolidated for financial reporting purposes in accordance with the concepts of financial and controlling interest as defined by accounting principles generally accepted in the United States of America. For consolidation reporting purposes, all material inter-related transactions and account balances have been eliminated.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of presenting the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents. The Organization does not consider assets or other resources to be cash equivalents that would otherwise qualify if those resources are subject to temporary or permanent restrictions imposed by the donor (such as investments held to provide long-term operating support).

Investments

Investments in marketable securities with readily determinable fair values are carried at market value. Life insurance policies are valued at cash surrender value. Real estate, equity securities without readily determinable fair values, and other investments are stated at the lower of cost or fair value. Donated investments without readily determinable fair values are stated at the lower of cost or fair value. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Management determined that an allowance for doubtful accounts was not necessary as of June 30, 2011 and 2010.

Promises to Give

Unconditional promises to give are recorded at net realizable value if expected to be collected within one year and at present value of future cash flows if expected to be collected over more than one year. Conditional promises to give are recorded when conditions are met as stipulated by the donor.

Inventories

Resale inventories are stated at the lower of cost or market, including merchandise that has been purchased for sale in the Corporation's thrift stores and items donated to the thrift stores that have a readily determinable market value. The vast majority of thrift store inventory is comprised of donated merchandise without a readily determinable market value until sold. See revenue recognition policy below.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at original cost. Donated assets are recorded at fair market value at the date of donation. Generally, according to the Organization's capitalization policy, furniture, fixtures, equipment, and vehicles over \$1,000, and buildings and improvements over \$5,000, are capitalized. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	10 - 50 Years
Furniture, Fixtures, and Equipment	3 - 20 Years
Vehicles	3 - 10 Years

Revenue Recognition

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions are segregated for accounting purposes in order to ensure compliance with the donor's wishes. The Organization reports restricted support if the assets were received with donor purpose or timing restrictions placed on them. When the applicable restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor restrictions are placed on the donated assets. Cash donations that are specified for the purchase of land, buildings, and equipment are classified as temporarily restricted until the designated asset has been acquired. Revenues for donated merchandise without readily determinable market value are recognized when the items are sold at the thrift stores.

Noncash contributions which have a readily determinable market value or which are intended for internal use by the Organization (such as equipment and supplies) are recorded as received based upon their market value at the date of donation. Noncash contributions, which do not have a readily determinable market value or are not intended for internal use by the Organization (such as clothing and furniture donations to the thrift stores) are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

Cost reimbursement grants are recorded as revenue when the costs are incurred. On multi-year grants, conditions need to be met in the current year to be eligible for the remainder of the grant funds. Accordingly, revenues are not recognized until the current year condition of the grant is met or the likelihood of having to return collected funds is remote.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contract revenues are mainly composed of revenues derived from contracts with Idaho Department of Juvenile Corrections, the Department of Health and Welfare, and Business Psychology Associates. Idaho Department of Juvenile Corrections accounted for \$26,136 and \$54,595 of the total program services revenue in the fiscal years ended 2011 and 2010, respectively. Contracts with the Idaho Department of Health and Welfare accounted for \$650,745 and \$617,637 in the fiscal years ended 2011 and 2010, respectively. Contracts with Business Psychology Associates accounted for \$309,897 and \$759,951 in the fiscal years ended 2011 and 2010, respectively.

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the consolidated statements of activities. The Organization's policy is to allocate and record expenses to various cost centers based on the direct association of that expense to the particular cost center. Cost centers are segregated into individual programs, overall program administration, general administration, and fundraising. Costs that cannot be directly associated with only one cost center are allocated to cost centers based on defined percentages that differ depending on the type of expense. Allocation methods vary depending on the costs to be allocated and may be based on total expenses, total revenue, square footage, hours worked, or employee counts. Significant attention is focused to assure that only costs directly attributable to programs are allocated to programs. Remaining administrative and fundraising costs are not allocated to programs.

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$144,051 and \$113,294 during the years ended June 30, 2011 and 2010, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions at the date of the financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income. The Corporation currently has no unrelated business income and is not considered a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and all charitable contributions are considered tax deductible.

The Foundation is a private, nonprofit organization, which was incorporated in the state of Idaho on May 1, 1982. The Foundation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, maintains its headquarters in Boise, Idaho. In fiscal year 2010, it was determined that the separation of Idaho Youth Ranch, Inc., and Idaho Youth Ranch Foundation, Inc., was no longer in the best interest of the Organization. The Idaho Youth Ranch Foundation was dissolved and all assets and liabilities were transferred to the Corporation on March 31, 2010.

Nagel LLC is a single member LLC and all its activities are included on the filings with the Corporation.

Management has evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

The Organization files as a tax-exempt organization. The Organization's 2008, 2009, and 2010 tax years are open for examination by the Internal Revenue Service.

Fair Value Measurements

The standard on fair value measurements defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Organization accounts for certain financial assets and liabilities at fair value under various accounting literature. The Organization also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

In accordance with the standard on fair value measurements, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Financial assets and liabilities recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access fair value as of the measurement date.

Level 2 - Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 - Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Reclassification

Certain amounts in the 2010 financial statements have been reclassified, with no effect on the previously reported change in net assets, to be consistent with the classifications adopted for the year ended June 30, 2011.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2011, the date the financial statements were available to be issued.

NOTE 3 CASH AND CASH EQUIVALENTS

The Organization maintains its cash deposits at several locations throughout Idaho at various financial institutions which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4 NOTES AND ESTATES RECEIVABLE

The Organization has been designated as the beneficiary of several estates. Notes and estates receivable represent amounts to be received from those estates and from contracts that arose from the Organization's sale of assets received from the estates. Generally, all of the notes and estates receivable either bear interest as part of the agreement or represent an interest in assets that is being managed by the estate's trustee.

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 5 INVESTMENTS

The Organization's investment policy provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the consolidated statements of financial position.

Investments of the Organization consisted of the following at June 30:

	2011	2010
<u>Idaho Youth Ranch, Inc.</u>		
Investment - Certificates of Deposit	\$ 22,055	\$ 21,286
Short-Term Funds	2,633,051	1,503,221
Corporate Bonds	2,560,421	3,403,059
Municipal Bonds	237,106	103,475
Common Stock	9,237,472	8,019,143
Preferred Trust Security	1,163,160	514,491
Exchange Traded Fund	286,433	234,168
American Depository Receipt	170,088	130,036
Other - Nonfinancial	318,252	303,420
	\$ 16,628,038	\$ 14,232,299

Certificates of deposit, money market funds, and executive life insurance benefits are stated at cost plus accrued earnings. Other investments are stated at cost. Investments held by Charles Schwab are substantially stated at fair value.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 INVESTMENTS (CONTINUED)

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Short-Term Funds	\$ 2,633,051	\$ -	\$ -	\$ 2,633,051
Corporate Bonds	2,560,421	-	-	2,560,421
Municipal Bonds	237,106	-	-	237,106
Common Stock	9,237,472	-	-	9,237,472
Preferred Trust Security	1,163,160	-	-	1,163,160
Exchange Traded Fund	286,433	-	-	286,433
American Depository Receipt	170,088	-	-	170,088
	\$ 16,287,731	\$ -	\$ -	\$ 16,287,731

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
Short-Term Funds	\$ 1,503,221	\$ -	\$ -	\$ 1,503,221
Corporate Bonds	3,403,059	-	-	3,403,059
Municipal Bonds	103,475	-	-	103,475
Common Stock	8,019,143	-	-	8,019,143
Preferred Trust Security	514,491	-	-	514,491
Exchange Traded Fund	234,168	-	-	234,168
American Depository Receipt	130,036	-	-	130,036
	\$ 13,907,593	\$ -	\$ -	\$ 13,907,593

As of June 30, 2011 and 2010, the Organization did not have any Level 2 or 3 investments.

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment, at cost, used in operations consisted of the following at June 30:

	2011	2010
Land and Improvements	6,018,513	\$ 6,070,660
Buildings and Improvements	15,205,879	15,260,269
Furniture and Equipment	1,989,430	1,915,808
Vehicles	1,114,564	1,142,955
	24,328,386	24,389,692
Less: Accumulated Depreciation	(7,883,275)	(7,364,464)
	16,445,111	17,025,228
Construction in Progress	100,468	53,713
Total	\$ 16,545,579	\$ 17,078,941

The Organization's construction in progress pertained to various projects estimated to be completed in the near term.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 7 GIFT ANNUITY

During prior years, the Organization was the beneficiary of charitable gift annuities. Under the terms of the split interest agreement, the Organization agrees to pay a stated dollar amount to the donor until the donor's death. At the time of the donor's death, the remaining assets are available for the unrestricted use of the Organization. Based on donor life expectancy, the present value of future benefits expected to be paid by the Organization was estimated to be \$16,087 and \$33,771 for the years ended June 30, 2011 and 2010, respectively. The Organization made payments to annuitants in the amount of \$23,509 for each of the years ended June 30, 2011 and 2010. Of the total amount paid, \$17,684 and \$20,417 were recorded as a reduction in the liability and \$7,422 and \$6,389 were recorded as an expense for the years ended June 30, 2011 and 2010, respectively.

NOTE 8 NOTES PAYABLE

The Organization entered into a promissory note with Key Community Development New Markets LLC (Key Bank) on August 25, 2006, for \$4,600,000 to purchase the Nagel Center property and buildings to be used as the central location for administrative support services, Boise warehouse and distribution, and eCommerce activities. In addition, the Nagel Outlet store along with office space for Family Services in southern Idaho is located on this property. The interest rate for the note is estimated. The note accrues interest based upon a fixed rate of interest equal to the cost of the Organization's rate plus two hundred and fifty (250) basis points less the new markets tax credit discount; provided, however, that at no time shall the applicable rate be less than 1% per annum, resulting in an initial interest rate of 4.11%. Beginning October 1, 2006, this note is due in monthly installments of \$24,735, including interest, until August 2011, when the loan must be refinanced. Borrowings under the long-term loan are subject to certain financial covenants that require maintenance of certain financial ratios.

This note matured on August 25, 2011, and in conjunction with refinancing Nagel LLC, conveyed to the Corporation a warranty deed transferring all rights in the Nagel Center property. This property was refinanced by the Corporation through DL Evans Bank on August 25, 2011, with a short-term bridge loan. The principal balance of \$4,043,217 will mature on December 23, 2011, and carries a fixed annual rate of 4.45% with monthly payments equal to accrued interest. Two additional properties located in Boise, Idaho, at 7025 West Emerald Street and at 1415 West Franklin Street, were pledged to satisfy the 80% loan to value deficiency caused by recent market declines in real estate values.

DL Evans Bank has committed to long-term financing that will be facilitated with the purchase of a Non-Profit Facilities Bond issued through the Idaho Housing and Finance Association. DL Evans Bank will extend financing for \$4,043,217 plus fees, with a ten-year maturity and fixed rate of 4.17%, amortized over 25 years.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 8 NOTES PAYABLE (CONTINUED)

The Organization entered into a revolving line of credit with Wells Fargo Bank, National Association (Wells Fargo) on February 3, 2009, for \$500,000. The line of credit accrues interest based upon a variable rate of interest equal to the prime rate as set by Wells Fargo from time to time, plus 0.25% and is subject to an interest rate floor of 5.0%, resulting in an initial interest rate of 3.5%. Beginning March 5, 2009, interest is due on a monthly basis. The availability of the line of credit ends on March 5, 2012, with all unpaid sums due at that time. The line of credit is secured by certain personal property of the Organization. Borrowings under the line of credit are subject to certain line rest requirements and financial covenants that require maintenance of certain financial ratios. The outstanding line-of-credit balance for the years ended June 30, 2011 and 2010, is \$17,338 and \$-0-, respectively.

Aggregate principal payments required under long-term debt obligations for the succeeding years are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2012	\$ 46,438
2013	95,827
2014	99,901
2015	104,147
2016	108,574
Thereafter	3,598,561
	<u>\$ 4,053,448</u>

NOTE 9 RESTRICTED FUNDS

Temporarily Restricted

Temporarily restricted funds are established to account for those resources currently available for use, but expendable only for specified purposes or after the stipulated period of time has elapsed as indicated by the donor or grantor.

Temporarily restricted net assets were released from restrictions for the following purposes as of June 30:

	<u>2011</u>	<u>2010</u>
Restricted for Scholarships	\$ 12,732	\$ 11,250
Restricted for Annuities	17,684	5,696
Restricted for a Specific Program, Facility, or Project	606,088	625,588
	<u>\$ 636,504</u>	<u>\$ 642,534</u>

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 9 RESTRICTED FUNDS (CONTINUED)

Temporarily restricted net assets were available for the following purposes as of June 30:

	<u>2011</u>	<u>2010</u>
Restricted for Scholarships	\$ 174,557	\$ 146,557
Restricted for Annuities	16,087	79,260
Restricted for a Specific Program, Facility, or Project	56,000	-
	<u>\$ 246,644</u>	<u>\$ 225,817</u>

Permanently Restricted

Permanently restricted net assets were released from restrictions for the following purposes:

	<u>2011</u>	<u>2010</u>
Restricted for Harbor House	\$ -	\$ 163,046

Permanently restricted funds consist of contributions restricted by the donor where the principal cannot be used for current operations. A summary is shown below as of June 30:

	<u>2011</u>	<u>2010</u>
Restricted for General Endowment	\$ 2,223,769	\$ 1,740,971
Restricted for Scholarships	887,916	567,605
Restricted for Anchor House	29,244	29,244
	<u>\$ 3,140,929</u>	<u>\$ 2,337,820</u>

The investment income earned by the general endowment funds is unrestricted and may be used according to the Board of Director's discretion. The investment income earned by the scholarship funds is restricted to providing youth scholarships.

NOTE 10 ENDOWMENTS

The Organization receives certain gift assets restricted for endowment purposes. The gift assets are generally donor directed for a variety of purposes. Restriction requirements for principal preservation are addressed by Idaho statute and are applicable in the absence of further guidance from the donor. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The State of Idaho enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Organization has determined that the majority of the Organization's net assets do not meet the definition of endowment under UPMIFA. The endowment subject o UPMIFA, and other investment assets, are managed per the Investment Policy and most contributions are subject to the terms of the Gift Acceptance Policy. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Organization. The Organization has interpreted UPMIFA as requiring preservation of the fair value of the original gift, as of the gift date, for donations permanently restricted to the endowment by the donor, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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. 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Prior to the merger of the Foundation with the Corporation during the year ended June 30, 2010, the Organization had a policy of designating certain assets to the endowment. During the year ended June 30, 2011, the Organization determined that this designation was no longer in the best interest of the Organization, but continues to manage these net assets under the same investment policy.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 10 ENDOWMENTS (CONTINUED)

Following are the changes in endowment net assets for the fiscal years ended June 30:

	2011			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year Balance	\$ 11,778,819	\$ 146,557	\$ 2,337,820	\$ 14,263,196
Contributions	-	10,500	803,109	813,609
Investment Income	-	103,352	-	103,352
Realized and Unrealized Gains	-	-	-	-
Appropriated for Expenditures	(15,183)	(85,853)	-	(101,036)
Reclassifications	(11,763,636)	-	-	(11,763,636)
End of Year Balance	<u>\$ -</u>	<u>\$ 174,556</u>	<u>\$ 3,140,929</u>	<u>\$ 3,315,485</u>

	2010			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year Balance	\$ 9,807,541	\$ 132,392	\$ 2,426,050	\$ 12,365,983
Contributions	969,607	5,000	74,816	1,049,423
Investment Income	414,884	20,415	-	435,299
Realized and Unrealized Gains	889,476	-	-	889,476
Appropriated for Expenditures	(465,735)	(11,250)	-	(476,985)
Reclassifications	163,046	-	(163,046)	-
End of Year Balance	<u>\$ 11,778,819</u>	<u>\$ 146,557</u>	<u>\$ 2,337,820</u>	<u>\$ 14,263,196</u>

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets.

Investment and Spending Policies:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner as to provide for safety of principal through diversification of investments in common stocks, bonds, cash equivalents and other investments while growing the corpus in real, inflation-adjusted terms after spending and expenses. To satisfy its long-term rate-of-return objectives, the Organization 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 Organization has a policy of financial status review to determine an appropriate annual distribution to be expended for the purposes in which the endowment was established. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 11 RETIREMENT PLAN

The Organization has a 403(b) defined contribution plan covering all permanent employees whose customary employment is at least 20 hours per week. Employees may make elective deferral contributions to the plan, up to certain limits established by Internal Revenue Code Section 402(g). After one year of employment and age 21, the Organization may match employee contributions up to a maximum percent of annual salary as shown below:

<u>Years of Employment</u>	<u>Maximum % of Annual Salary</u>
1	3.0 %
2	4.0
3	5.0
4	6.0
5 +	7.0

The matching contributions for the years ended June 30, 2011 and 2010, were \$-0- and \$70,296, respectively. Employer matching on all deferral contributions was temporarily suspended, effective January 1, 2010.

NOTE 12 EXECUTIVE RETIREMENT AGREEMENTS

The Organization has adopted individual supplemental executive retirement agreements. These agreements have been classified as deferred compensation, pursuant to which the Organization will pay supplemental retirement benefits to certain key employees upon retirement, subject to forfeiture if termination occurs prior to reaching normal retirement age. There is no funding requirement. The estimated liability for this retirement benefit obligation of \$252,725, included in accrued expenses in the consolidated statements of financial position, was recorded at June 30, 2011, based on the discounted present value of the expected future payments earned to date. The increase in obligation was not recorded in prior years due to immateriality and the effect of estimates in determining the amount. Expense related to the plan, including prior year effects in 2011, totaled \$184,808 and \$10,324 for the years ended June 30 2011 and 2010.

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 13 OPERATING LEASES

The Organization has entered into eight leases for thrift store and program services space. The leases require monthly rental payments and have various commencement and expiration dates. Each lease provides for a 3% annual increase of the monthly rental payments. The terms of each lease at the commencement date are as follows:

	<u>Initial Monthly Rental Payment</u>
<u>Nampa Outlet Thrift Store</u> Commenced December 1, 2008, Expires November 30, 2011	\$ 2,009
<u>State Street Thrift Store</u> Commenced October 1, 2007, Expires September 30, 2012	7,332
<u>Fairview Thrift Store</u> Commenced October 1, 2007, Expires September 30, 2012	7,408
<u>Five Mile Thrift Store</u> Commenced October 15, 2007, Expires October 14, 2012	2,937
<u>Overland Thrift Store</u> Commenced January 1, 2009, Expires December 31, 2013	3,541
<u>Post Falls Thrift Store</u> Commenced August 1, 2009, Expires November 30, 2014	3,961
<u>Family Services North</u> Commenced September 1, 2008, Expires August 31, 2013	1,605
<u>Nampa Caldwell Boulevard Thrift Store</u> Commenced December 1, 2010, Expires November 30, 2017	6,000

The Organization entered into a lease and service agreement with Trebar Leasing Division of Trebar, Inc., on July 31, 2007, to lease vehicles, trailers, and related equipment. The lease is for 13 vehicles, with payments due on a monthly basis, and may be cancelled on an annual basis within 60 days of the anniversary of the lease inception. Annual payments on this lease total \$144,900.

The Organization leases other real estate under annual operating leases which expire at various times during the year ended June 30, 2011. The Organization also rents property and transportation equipment on an as needed, month-to-month basis.

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 13 OPERATING LEASES (CONTINUED)

Minimum future rental payments under the long-term operating leases as of June 30, 2011, in the aggregate are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2012	\$ 433,911
2013	267,621
2014	164,383
2015	113,294
2016	96,000
Thereafter	148,000

Total rent expense under operating leases was \$489,162 and \$330,698 for June 30, 2011 and 2010, respectively.

NOTE 14 COMMITMENTS AND CONTINGENCIES

The Organization participates in federally assisted grant programs. Funds received under these programs are subject to additional audits by the grantors. The amount of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Organization expects such amounts, if any, to be immaterial.

NOTE 15 SUBSEQUENT EVENTS

Foster Care Services

The Organization has provided recruitment and training services for foster parents in northern Idaho since 2002 under contract with the Department of Health and Welfare. In August 2011, the Department of Health and Welfare sent notification of their intent to discontinue the Foster Care contract early, effective September 15, 2011. The current contract was scheduled to expire February 16, 2012, and had provided annual revenue of approximately \$140,000 since the effective date of February 16, 2008. As a result, the Foster Care program was discontinued in September 2011, eliminating associated program costs budgeted at \$144,000 in fiscal year 2012. Foster Care services provided over the past nine years by the Organization will be operated through the Department of Health and Welfare in an effort that the state hopes will save them money and standardize the way that they deliver this service throughout the state.

Merger of Nagel LLC

Nagel LLC was established in 2006 to purchase the Nagel Center in support of the Organization's operations. Subsequent to the maturity of the original promissory note, the Organization determined that Nagel LLC was no longer required to secure financing for the Organization. On September 2, 2011, Nagel LLC was dissolved and all assets and liabilities were transferred to the Corporation.

IDAHO YOUTH RANCH, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	Corporation	Nagel	Eliminations	June 30,	
				2011	2010
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 28,994	\$ 64,262	\$ -	\$ 93,256	\$ 174,332
Investments	16,628,038	-	-	16,628,038	14,232,299
Accounts Receivable	151,260	-	-	151,260	239,022
Grants Receivable	104,928	-	-	104,928	-
Promises to Give	238,667	-	-	238,667	-
Prepaid Expenses	149,062	-	(25,000)	124,062	172,345
Resale Inventories	377,517	-	-	377,517	422,208
Due from Affiliated Entity	65,279	-	(65,279)	-	-
Notes and Estates Receivable	397,642	-	-	397,642	356,115
Lease Receivable from Affiliated Entity	-	147,092	(147,092)	-	-
Total Current Assets	<u>18,141,387</u>	<u>211,354</u>	<u>(237,371)</u>	<u>18,115,370</u>	<u>15,596,321</u>
NONCURRENT ASSETS					
Land, Buildings, and Equipment, Less Accumulated Depreciation	13,615,640	2,929,939	-	16,545,579	17,078,941
Lease Receivable from Affiliated Entity	-	2,819,254	(2,819,254)	-	-
Total Noncurrent Assets	<u>13,615,640</u>	<u>5,749,193</u>	<u>(2,819,254)</u>	<u>16,545,579</u>	<u>17,078,941</u>
Total Assets	<u>\$ 31,757,027</u>	<u>\$ 5,960,547</u>	<u>\$ (3,056,625)</u>	<u>\$ 34,660,949</u>	<u>\$ 32,675,262</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 387,779	\$ -	\$ -	\$ 387,779	\$ 195,869
Annuities Payable	16,087	-	-	16,087	33,771
Accrued Expenses	1,184,488	-	-	1,184,488	849,427
Deferred Revenue	49,138	576,998	(576,998)	49,138	45,088
Due from Affiliated Entity	-	65,279	(65,279)	-	-
Line of Credit	17,338	-	-	17,338	-
Current Maturities of Note Payable	-	46,438	-	46,438	125,034
Current Maturities of Lease Payable from Affiliated Entity	96,996	-	(96,996)	-	-
Total Current Liabilities	<u>1,751,826</u>	<u>688,715</u>	<u>(739,273)</u>	<u>1,701,268</u>	<u>1,249,189</u>
LONG-TERM DEBT					
Lease Payable from Affiliated Entity	2,317,352	-	(2,317,352)	-	-
Note Payable, Less Current Maturities	-	4,007,010	-	4,007,010	4,053,473
Total Long-Term Debt	<u>2,317,352</u>	<u>4,007,010</u>	<u>(2,317,352)</u>	<u>4,007,010</u>	<u>4,053,473</u>
Total Liabilities	<u>4,069,178</u>	<u>4,695,725</u>	<u>(3,056,625)</u>	<u>5,708,278</u>	<u>5,302,662</u>
NET ASSETS					
Unrestricted	24,300,276	1,264,822	-	25,565,098	24,808,963
Temporarily Restricted	246,644	-	-	246,644	225,817
Permanently Restricted	3,140,929	-	-	3,140,929	2,337,820
Total Net Assets	<u>27,687,849</u>	<u>1,264,822</u>	<u>-</u>	<u>28,952,671</u>	<u>27,372,600</u>
Total Liabilities and Net Assets	<u>\$ 31,757,027</u>	<u>\$ 5,960,547</u>	<u>\$ (3,056,625)</u>	<u>\$ 34,660,949</u>	<u>\$ 32,675,262</u>

**IDAHO YOUTH RANCH, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2011 AND 2010**

	Corporation	Nagel	Eliminations	June 30,	
				2011	2010
SUPPORT AND REVENUE					
Contributions	1,773,743	\$ -	\$ -	\$ 1,773,743	1,386,027
Grants	419,511	-	-	419,511	362,273
Fundraising	33,165	-	-	33,165	57,253
Program services	1,179,419	-	-	1,179,419	1,744,571
Thrift Enterprises	11,446,246	-	-	11,446,246	10,678,283
Rent	83,274	152,908	(152,908)	83,274	237,702
Interest and Dividends	562,480	51,983	(51,983)	562,480	532,908
Gain on Sale of Investments	197,166	-	-	197,166	-
Gain on Sale of Other Assets	127,405	-	-	127,405	49,019
Unrealized Gain on Investments	1,240,929	-	-	1,240,929	952,587
Miscellaneous Income	20,986	-	-	20,986	25,062
Total Support and Revenue	17,084,324	204,891	(204,891)	17,084,324	16,025,685
EXPENSES					
Program Expenses:					
Residential	3,162,559	-	(8,275)	3,154,284	3,279,016
Family Services	333,051	-	(783)	332,268	470,708
Adoption and Foster Care	238,200	-	-	238,200	382,041
Thrift Enterprises	9,589,585	-	(133,506)	9,456,079	9,636,401
Total Program Expenses	13,323,395	-	(142,564)	13,180,831	13,768,166
Supporting Services:					
General and Administration	1,332,421	174,080	(46,193)	1,460,308	1,240,829
Fundraising	879,248	-	(16,134)	863,114	575,127
Total Supporting Services	2,211,669	174,080	(62,327)	2,323,422	1,815,956
Total Expenses	15,535,064	174,080	(204,891)	15,504,253	15,584,122
NET INCREASE IN NET ASSETS	1,549,260	30,811	-	1,580,071	441,563
Net Assets - Beginning of Year	26,138,589	1,234,011	-	27,372,600	26,931,037
NET ASSETS - END OF YEAR	\$ 27,687,849	\$ 1,264,822	\$ -	\$ 28,952,671	\$ 27,372,600