IDAHO YOUTH RANCH, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR
YEAR ENDED JUNE 30, 2018)

IDAHO YOUTH RANCH, INC.
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YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Idaho Youth Ranch, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors
Idaho Youth Ranch, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Idaho Youth Ranch, Inc. as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, on July 1, 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, requiring a change in the presentation of net assets and enhanced financial statement disclosures. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
August 23, 2019

IDAHO YOUTH RANCH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 662,379	$ 1,647,069
Investments	5,486,390	5,737,153
Accounts Receivable	170,466	296,068
Grant Receivable	44,381	-
Current Portion of Pledges Receivable	575,000	992,745
Donated Assets Held for Investment	14,700	14,700
Prepaid Expenses and Deposits	236,145	234,550
Inventory	107,105	67,006
Trust Receivables	351,613	360,986
Total Current Assets	7,648,179	9,350,277
NONCURRENT ASSETS		
Idaho Youth Land Reserve	7,295,000	7,295,000
Investments, Less Current Above	6,014,152	5,932,588
Pledges Receivable, Less Current Portion	-	491,929
Land, Buildings, and Equipment, Less Accumulated Depreciation of $7,941,895 and $7,715,357, Respectively	20,372,651	17,810,038
Total Noncurrent Assets	33,681,803	31,529,555
Total Assets	$ 41,329,982	$ 40,879,832

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 455,434	$ 692,630
Annuities Payable	-	23
Accrued Personnel Costs and Other Expenses	1,541,563	1,231,768
Deferred Revenue	881,641	1,267,318
Line of Credit	47,707	-
Current Maturities of Capital Leases	149,434	142,646
Current Maturities of Long-Term Debt	298,821	273,305
Total Current Liabilities	3,374,600	3,607,690
NONCURRENT LIABILITIES		
Capital Leases, Less Current Maturities	756,137	905,579
Long-Term Debt, Less Current Maturities	5,363,106	5,550,110
Executive Retirement Agreements, Less Current Portion	-	16,379
Interest in Life Estate	3,399,470	3,479,350
Total Noncurrent Liabilities	9,518,713	9,951,418
Total Liabilities	12,893,313	13,559,108
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without Donor Restrictions	20,848,858	14,800,661
With Donor Restrictions:		
Restricted for Specified Purpose	1,573,659	6,587,475
Restricted by Donors to be Held in Perpetuity	6,014,152	5,932,588
Total With Donor Restrictions	7,587,811	12,520,063
Total Net Assets	28,436,669	27,320,724
Total Liabilities and Net Assets	$ 41,329,982	$ 40,879,832

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	$ 2,229,603	$ 1,042,209	$ 3,271,812	$ 3,033,035
Grants	-	639,925	639,925	2,156,224
Fundraising	266,037	70,839	336,876	345,578
Program Fees and Services	627,312	-	627,312	643,415
Social Enterprise	19,090,739	-	19,090,739	18,202,388
Rent	14,742	-	14,742	2,275
Interest and Dividends	335,194	79,655	414,849	337,975
Gain on Sale of Investments	929,476	233,693	1,163,169	498,669
Gain on Sale of Assets	34,992	5,292	40,284	361,989
Unrealized Loss on Investments	(722,458)	(153,441)	(875,899)	(104,580)
Miscellaneous Income	15,838	1,222	17,060	119,765
Net Assets Released from Restrictions	6,851,646	(6,851,646)	-	-
Total Support and Revenue	29,673,121	(4,932,252)	24,740,869	25,596,733
EXPENSES				
Program Services:				
Residential	2,483,053	-	2,483,053	2,165,826
Community Services	1,070,042	-	1,070,042	1,468,469
Workforce Development	155,575	-	155,575	117,791
Social Enterprise	16,257,147	-	16,257,147	18,527,764
Total Program Expenses	19,965,817	-	19,965,817	22,279,850
Supporting Services:				
General and Administration	1,807,211	-	1,807,211	1,805,169
Fundraising	1,851,896	-	1,851,896	1,860,431
Total Supporting Services	3,659,107	-	3,659,107	3,665,600
Total Expenses	23,624,924	-	23,624,924	25,945,450
NET INCREASE (DECREASE) IN NET ASSETS	6,048,197	(4,932,252)	1,115,945	(348,717)
Net Assets - Beginning of Year	14,800,661	12,520,063	27,320,724	27,669,441
NET ASSETS - END OF YEAR	$ 20,848,858	$ 7,587,811	$ 28,436,669	$ 27,320,724

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019							2018
	Program Services				Supporting Services			
	Residential	Community Services	Workforce Development	Social Enterprise	General and Administration	Fundraising	Total	Total
Salaries and Wages	$ 1,408,187	$ 660,568	$ 88,660	$ 7,160,584	$ 922,924	$ 793,788	$ 11,034,711	$ 11,143,881
Temporary Labor	-	-	-	335,203	-	-	335,203	840,946
Payroll Taxes and Insurance	155,916	70,746	9,656	687,195	94,244	62,726	1,080,483	1,142,524
Employee Benefits	163,084	66,109	14,571	1,139,946	95,598	62,130	1,541,438	1,620,527
Employee Job Related	32,345	14,652	1,475	56,480	29,777	14,575	149,304	142,881
Employee Recruitment	919	2,349	48	602	1,813	1,116	6,847	11,050
Business Travel and Meals	35,261	12,891	478	75,076	23,702	30,365	177,773	192,488
Client Health	10,967	358	40	-	-	-	11,365	7,957
Animal Therapy	12,552	-	-	-	-	-	12,552	15,132
Other Client Therapy	1,087	1,384	54	-	-	-	2,525	3,445
Client Necessities	47,808	7,848	1,512	-	-	49	57,217	68,505
Scholarships	-	349	200	-	39,000	-	39,549	52,568
Trainee Stipends	-	-	21,440	-	-	-	21,440	17,211
Occupancy	25,461	528	27	1,163,895	1,097	21	1,191,029	1,333,422
Utilities	80,989	38,415	1,200	863,291	32,600	7,998	1,024,493	1,486,472
Repairs and Maintenance	48,000	29,750	1,176	703,190	10,295	7,035	799,446	930,665
Equipment Rent	8,143	2,218	29	551,645	772	1,155	563,962	668,437
Depreciation and Amortization	130,613	20,949	706	752,698	33,255	57,295	995,516	931,451
Professional Services	90,838	39,082	3,921	173,230	315,274	179,754	802,099	735,021
Advertising and Promotions	91,011	44,207	4,649	67,328	3,544	427,510	638,249	805,988
Transportation Expense	33,954	7,269	186	219,949	7,714	314	269,386	309,986
General Supplies	75,185	28,913	4,512	457,624	59,088	107,987	733,309	1,261,155
Insurance	24,943	16,487	887	153,647	29,522	2,430	227,916	223,386
Credit Card and Bank Fees	1,439	1,614	96	286,969	7,867	27,378	325,363	467,235
Interest	1,077	382	43	182,825	72,956	5,662	262,945	259,009
Miscellaneous	3,142	2,913	2	39,791	26,169	62,608	134,625	105,714
Cost of Goods Sold - Purchased	-	-	-	406,854	-	-	406,854	293,830
Cost of Goods Sold - Donated Merchandise	132	61	7	165,771	-	-	165,971	-
Cost of Goods Sold - Other	-	-	-	613,354	-	-	613,354	874,564
Total	$ 2,483,053	$ 1,070,042	$ 155,575	$ 16,257,147	$ 1,807,211	$ 1,851,896	$ 23,624,924	$ 25,945,450

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Decrease) Increase in Net Assets	$ 1,115,945	$ (348,717)
Adjustments to Reconcile Net (Decrease) Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	995,516	931,451
Gain on Sale of Investments	(1,163,169)	(498,669)
Gain on Sale of Assets	(40,284)	(361,989)
Unrealized Loss on Investments	875,899	104,580
Change in Liability for Interest in Life Estate	(79,880)	(79,005)
Noncash Contribution of Investments	(38,880)	(65,584)
Noncash Contribution of Property and Equipment	(474,636)	-
(Increase) Decrease in Assets:		
Accounts Receivable	125,602	(146,737)
Grants Receivable	(44,381)	-
Pledges Receivable	909,674	1,036,741
Prepaid Expenses	(1,595)	(26,928)
Inventory	(40,099)	365,972
Trust Receivables, Net	9,500	10,400
Increase (Decrease) in Liabilities:		
Accounts Payable	(237,196)	234,718
Annuities Payable	(23)	(650)
Accrued Personnel Costs and Other Expenses	293,416	(290,502)
Deferred Revenue	(385,677)	(683,601)
Net Cash Provided by Operating Activities	1,819,732	181,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(3,336,474)	(2,297,428)
Proceeds from Sale of Property and Equipment	293,265	1,262,836
Purchase of Investments	(12,142,184)	(2,171,361)
Proceeds from Sale of Investments	12,637,406	2,758,273
Net Cash Used by Investing Activities	(2,547,987)	(447,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase on Line of Credit	47,707	(65,961)
Proceeds from Long-Term Debt	109,675	-
Principal Payments on Capital Leases	(142,654)	(72,838)
Principal Payments on Long-Term Debt	(271,163)	(257,388)
Net Cash Used by Financing Activities	(256,435)	(396,187)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(984,690)	(662,387)
Cash and Cash Equivalents - Beginning of Year	1,647,069	2,309,456
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 662,379	$ 1,647,069

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Financing of Property and Equipment	$ -	$ 1,113,599
Cash Paid for Interest	$ 263,810	$ 260,232
Noncash Contribution of Property and Equipment	$ 474,636	$ -
Noncash Contributions of Inventory and Other Items	$ 19,204,945	$ 18,172,929

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

Nature of Operations

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

Programs and Services

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

Residential – Hands of Promise Ranch Interim

Located near Middleton, Idaho in Canyon County, this facility provides the setting for a structured residential program assisting children who are at risk due to abuse, neglect, family conflict, or abandonment. Services are tailored to meet each child's unique situation and may include animal assisted therapy, behavioral therapy, functional family therapy, and life skill development. An equestrian therapy program and a 4-H program are available as an integral part of the therapeutic services. The interim residential program was closed early in this fiscal year. Outpatient therapy continues to occur at the Hands of Promise campus at the equestrian arena that opened this year. Plans are underway for permanent residential services at this location.

Residential – Hays House

Located in Boise, Idaho, this facility provides emergency short-term residential care, crisis intervention, and safe shelter for Treasure Valley homeless and runaway children ranging from 9 to 18 years of age.

Community Services – Family Counseling

This program is based in Boise, Idaho and at Anchor House in Coeur d'Alene, Idaho. Counseling and case management services are designed to keep families together, reunite families who have experienced out-of-home care, improve family functioning, and in some cases prevent the need for out-of-home placement. Therapy is targeted toward at-risk youth using the most comprehensive and effective techniques to direct vulnerable youth back to the path of a promising future. Blending three results-based therapies; Functional Family Therapy, Eagala Equine Therapy, and Dialectical Behavior Therapy the Idaho Youth Ranch provides a proven treatment model unavailable anywhere else in Idaho.

Community Services – Adoptions

Located in Coeur d'Alene, Idaho, a full range of adoption services are available. These include the placement of infants, special needs adoptions, home studies, post-placement supervision, international and interstate adoption support, and nonagency adoptions. An "open-adoption" philosophy is applied to help facilitate collaboration and cooperation between birth parents and adoptive parents throughout the child's lifetime.

NOTE 1 ORGANIZATION (CONTINUED)

Programs and Services (Continued)

Workforce Development – YouthWorks!

YouthWorks! is a comprehensive job training and job placement program created to help disadvantaged young people from the ages of 16 to 22 develop the skills they need to find and keep meaningful employment. The program includes classroom instruction, on-the-job training in Idaho Youth Ranch thrift stores and local businesses, job placement, one-on-one mentoring, and oversight.

Social Enterprise

The Organization sells donated and purchased merchandise through retail thrift stores operated at 23 locations throughout Idaho and one location in Ontario, Oregon, two outlet stores, one located in Boise and one located in Post Falls, online book and collectible sales based out of Boise, and one vehicle sales lot in Boise. Storage and distribution warehouses are located in Boise, Twin Falls, Rupert, and Coeur d'Alene, Idaho. Proceeds from retail thrift 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 clients and other community members. The Organization makes affordable goods available to the general public and facilitates the re-use or recycling of items that would otherwise be discarded in state landfills.

Administration and Fundraising

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

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. The Organization follows financial statement presentation requirements issued by the Financial Accounting Standards Board (FASB) for nonprofit entities. Under these provisions, net assets, revenues, gains, and losses are classified based on donor-imposed restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Resources that are free of donor-imposed restrictions. All revenues, expenses, gains, and losses that are not changes in donor restricted net assets are considered without donor restriction. Any limitations on these funds are determined by the board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions

The donor restrictions are restrictions that will be met either by the passage of time or by satisfying the purpose of the restriction, or resources which the donor has specified must be maintained in perpetuity. The income related to resources held in perpetuity are considered temporarily restricted based on the donor's instructions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purpose of the financial statements, 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).

The Organization maintains its cash deposits at various financial institutions which at times may exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through writing them off in the period in which they are determined to be uncollectible. Management determines whether accounts will be collected by regularly evaluating individual receivables. Recoveries of receivables previously written-off are recorded when received. Management determined that an allowance for doubtful accounts was not necessary as of June 30, 2019 and 2018.

Pledges Receivable

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories of purchased goods and supplies are stated at the lower of cost (first-in, first-out) or net realizable value. The Organization considers the costs (store expenses, processing, transportation, and retail management) associated with bringing the donated goods inventory to sale in its estimate of the fair value of the inventory. The estimate of the donated goods inventory value is based on a calculation of donated goods turnover rate multiplied by the percent of sales in excess of cost of goods sold.

Idaho Youth Land Reserve and Interest in Life Estate

The Idaho Youth Land Reserve represents $7,295,000 of property donated to the Organization during the year ended June 30, 2014. The donation was in return for a cash payment of $1,000,000 and the issuance of long-term debt in the amount of $2,494,266. The property was recorded at fair market value at the time of donation and will be held at carrying value on a subsequent basis. This property is located in Horseshoe Bend, Idaho and is subject to a life interest in real estate, whereby the Organization cannot use the asset until the earlier of its abandonment by the donors, or the death of both donors. During the period of life interest in real estate, the donors are responsible for all costs associated with the property, including real estate taxes.

Associated with the $7,295,000 Idaho Youth Land Reserve, the Organization recorded an interest in life estate in the amount of $3,789,534. This interest in life estate will be recorded into income each year based on the underlying changes in the age of the donors and changes in the interest rate environment. During the year ended June 30, 2019 and 2018, a net decrease of $79,880 and $79,005, respectively, was recorded to the Liability for Interest in Life Estate and resulted in a corresponding decrease in contributions with donor restrictions.

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, property and equipment over $5,000, are capitalized; while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Land	Not Depreciated
Buildings and Improvements	10 to 50 Years
Furniture, Fixtures, and Equipment	3 to 20 Years
Vehicles	3 to 10 Years

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was $995,516 and $931,451, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2019 and 2018.

Investment Valuation and Income Recognition

The Organization's investments are valued at fair value. Fair value is 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.

Investments in equity securities, including common stocks, preferred stock, options, exchange traded funds, and American depository receipts that are traded on a national securities exchange are stated at the last quoted sales price. Investments in money market and mutual funds are valued at the net asset value of shares held on the valuation date. Investments in the alternative funds are valued using the net asset value of units owned by the Organization, which are based on observable and unobservable market prices for the underlying assets, held by the alternative funds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Organization's gains and losses on investments bought and sold as well as held during the year.

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 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 donor restricted until the designated asset has been acquired.

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 revenue 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 be sold at the thrift stores) are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

Contributions of a conditional nature with specified terms are recorded to deferred revenue when received and revenue is recognized as the funds are expended as instructed by the donor. In the event conditions are not met the unused contribution would be returned to the donor.

Gift cards sold and loyalty points earned are recorded as deferred revenue until used and the revenue is earned. Revenues for ticket sales that are refundable are deferred until the event occurs.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities using cost centers. 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.

Liquidity

The Organization has $5,851,016 of financial assets available within one year of the balance sheet date consisting of:

Cash and Cash Equivalents	$ 662,379
Accounts Receivable	170,466
Grants Receivable	44,381
Pledges Receivable	575,000
Reserve Fund	5,299,052
Less: Donor Imposed Restrictions	(900,262)
Total	$ 5,851,016

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. To help manage unanticipated liquidity needs, the Organization has a revolving line of credit in the amount of $2 million which it could draw upon. The Reserve fund can be drawn from with board approval. Although the Organization does not intend to spend from its Reserve fund other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its Reserve could be made available if necessary.

Comparative Totals

The 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 financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance 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.

Income Taxes

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

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the liquidity disclosure, this has been presented for 2019 only as permitted by the standard.

New Accounting Pronouncement Effective in Future Accounting Periods

Accounting for Contributions Received and Contributions Made

In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and assists with distinguishing between conditional contributions and unconditional contributions. Distinguishing between contributions and exchange transactions determines the guidance that should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The ASU will be effective for the Organization for annual periods beginning after December 15, 2018. The organization is currently evaluating the impact this guidance will have on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods (Continued)

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2019; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its financial statements.

Reclassifications

Certain amounts have been reclassified for the year ended June 30, 2018, to conform to the presentation for the year ended June 30, 2019. The reclassifications had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through August 23, 2019, the date the financial statements were available to be issued.

NOTE 3 TRUST RECEIVABLES

The Organization has been designated as the beneficiary of several estates. Trust receivables represent amounts to be received from those estates. Generally, all of the trust receivables either bear interest as part of the agreement or represent an interest in assets that is being managed by the estate's trustee. Trust receivables are shown net of any associated unrealized gain (loss) of the underlying account balances on the statement of cash flows.

NOTE 4 PLEDGES RECEIVABLE

Pledges Receivable consisted of the following as of June 30, 2019:

Collection Period	Pledges Receivable	Discount	Net Pledges Receivable
Within One Year	$ 575,000	$ -	$ 575,000
Total	$ 575,000	$ -	$ 575,000

Pledges Receivable consisted of the following as of June 30, 2018:

Collection Period	Pledges Receivable	Discount	Net Pledges Receivable
Within One Year	$ 1,000,000	$ (7,255)	$ 992,745
Between One to Five Years	500,000	(8,071)	491,929
Total	$ 1,500,000	$ (15,326)	$ 1,484,674

NOTE 5 FAIR VALUE OF INVESTMENTS

The following table sets forth by level with the fair value hierarchy, the Organization's assets and liabilities at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds:				
Domestic Equity	$ 4,259,494	$ -	$ -	$ 4,259,494
Fixed Income	4,350,683	-	-	4,350,683
International Equity	2,890,365	-	-	2,890,365
Total Investments	$ 11,500,542	$ -	$ -	$ 11,500,542

NOTE 5 FAIR VALUE OF INVESTMENTS (CONTINUED)

The following table sets forth by level within the fair value hierarchy, the Organization's assets and liabilities at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Common Stocks:				
Consumer Discretionary	$ 321,115	$ -	$ -	$ 321,115
Consumer Staples	73,650	-	-	73,650
Energy	43,822	-	-	43,822
Financial	297,470	-	-	297,470
Healthcare	175,499	-	-	175,499
Industrials	245,751	-	-	245,751
Materials	54,253	-	-	54,253
Technology	304,906	-	-	304,906
Telecommunications	16,919	-	-	16,919
Mutual Funds:				
Domestic Equity	2,837,324	-	-	2,837,324
Fixed Income	3,435,881	-	-	3,435,881
International Equity	3,181,040	-	-	3,181,040
Real Assets/Commodities	201,715	-	-	201,715
World Allocation	480,396	-	-	480,396
Total Investments	$ 11,669,741	$ -	$ -	$ 11,669,741

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	Alternative Investment	
	2019	2018
Balance - Beginning of Year	$ -	$ 936,781
Withdrawals	-	(758,187)
Total Unrealized Losses Relating to Instruments Disposed of During the Year	-	(178,594)
Balance - End of Year	$ -	$ -

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

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

	2019	2018
Land and Improvements	$ 8,061,157	$ 6,994,671
Buildings and Improvements	14,371,790	10,711,306
Furniture and Equipment	4,068,119	4,202,666
Vehicles	1,025,140	1,179,055
Loan Origination and Asset Acquisition Fees	114,643	114,643
Total	27,640,849	23,202,341
Less: Accumulated Depreciation and Amortization	(7,941,895)	(7,715,357)
Total	19,698,954	15,486,984
Construction in Progress	673,697	2,323,054
Total	$ 20,372,651	$ 17,810,038

The Organization's construction in progress pertained to various projects, some of which are estimated to be completed in the near term. Amounts relating to long-term construction totaled $448,090 as of June 30, 2019.

NOTE 7 GIFT ANNUITIES

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 without restrictions for the 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 $23 for the year ended June 30, 2018. There were no future benefits expected to be paid by the Organization for the year ended June 30, 2019.

The Organization made payments to annuitants in the amount of $15,617 and $15,617 for the years ended June 30, 2019 and 2018, respectively. Of the amount paid $23 and $650 was recorded as a reduction in the liability for 2019 and 2018, respectively and $15,594 and $14,967 were recorded as an expense for the years ended June 30, 2019 and 2018, respectively.

NOTE 8 NOTES PAYABLE

Long-term debt consists of the following as of June 30:

Description	2019	2018
D.L. Evans Bank; monthly payments of $22,202, including interest at 4.17%; maturing December 2031; collateralized by buildings	$ 3,078,579	$ 3,211,773
Private party; annual payments of $160,000, including interest at 2.50%; maturing May 2034; collateralized by Idaho Youth Land Reserve	1,981,020	2,088,800
Wells Fargo Bank; monthly payments of $4,467, including interest at 5.20%; maturing April 2027; collateralized by real property and buildings	496,178	522,842
Private party; monthly payments of $1,306, non-interest bearing; maturing February 2026; collateralized by real property and buildings	106,150	-
Total	5,661,927	5,823,415
Less: Current Maturities	298,821	273,305
Long-Term Debt, Less Current Maturities	$ 5,363,106	$ 5,550,110

The borrowing under the D.L. Evans Bank and Wells Fargo Bank are subject to certain financial covenants; the Organization is not aware of any noncompliance with these covenants.

Scheduled principal payments on long-term debt are as following as of June 30, 2019:

Year Ending June 30,	Amount
2020	$ 298,821
2021	309,182
2022	308,177
2023	302,076
2024	312,377
Thereafter	4,131,294
Total	$ 5,661,927

NOTE 9 LINE OF CREDIT

The Organization entered into a revolving line of credit with Wells Fargo Bank, National Association (Wells Fargo) on February 3, 2009. The line of credit was most recently amended on February 11, 2019, and currently has a maximum available amount of $2,000,000. The line of credit accrues interest based upon a variable rate of interest equal to the prime rate and is due on a monthly basis. The line of credit expires on February 29, 2020, with all unpaid sums due at that time. The line of credit is secured by inventory, accounts receivable, and equipment of the Organization. The outstanding balance as of June 30, 2019 and 2018 was $47,707 and $-0-, respectively.

The Organization entered into a nonrevolving line of credit with Wells Fargo Bank, National Association (Wells Fargo) on February 28, 2018, with a maximum available amount of $3,625,000. The line of credit initially accrues interest at a rate of 4.25% and then based upon a variable rate of interest equal to the prime rate less 0.25% and is due on a quarterly basis. There was no outstanding balance as of June 30, 2019 and 2018, respectively.

NOTE 10 CAPITAL LEASES

The Organization has financed equipment through capital leases. At June 30, assets acquired under capital leases are as follows:

	2019	2018
Equipment	$ 1,121,498	$ 1,121,498
Less: Accumulated Depreciation	239,594	79,077
Total	$ 881,904	$ 1,042,421

Future minimum payments under these capital leases as of June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	$ 188,421
2021	188,421
2022	188,277
2023	186,684
2024	186,684
Thereafter	88,777
Less: Amount Representing Interest	(121,693)
Present Value of Minimum Lease Payments	905,571
Less: Current Portion of Capital Lease Obligations	149,434
Total Noncurrent Portion	$ 756,137

NOTE 11 FUNDS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Restricted for Scholarships	$ 334,984	$ 304,008
Restricted for Annuities	-	23
Restricted for Life Estate	401,264	321,384
Restricted for Capital Campaign	777,057	5,942,571
Restricted for Specific Programs	60,354	19,489
Total	1,573,659	6,587,475
Restricted by Donors to be Held in Perpetuity:		
Restricted for General Endowment	3,779,560	3,442,787
Restricted for Scholarships	907,726	897,526
Restricted for Specific Programs	1,326,866	1,592,275
Total	6,014,152	5,932,588
Total Net Assets with Donor Restrictions	$ 7,587,811	$ 12,520,063

The investment income earned by the restricted categories for a specified purpose above is restricted for the same purpose as the underlying balances.

The investment income earned by the general endowment funds is restricted for specified purposes 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. The investment income earned by program specific funds is restricted to provide for those programs.

Net assets for specified purposes that were released from restrictions are listed below for the years ended June 30:

	2019	2018
Satisfaction of Purpose Restrictions:		
Restricted for Scholarships	$ 39,000	$ 52,568
Restricted for Annuities	23	650
Restricted for Capital Campaign	5,651,865	294,941
Restricted for Specific Programs	1,160,758	1,957,039
Total	$ 6,851,646	$ 2,305,198

NOTE 12 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.

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 to 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 with permanent restrictions, (b) the original value of subsequent gifts with permanent restrictions, and (c) accumulations to the permanent accounts 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.

NOTE 12 ENDOWMENTS (CONTINUED)

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

2019	Board Designated	Donor Restricted for Specified Purpose	Restricted by Donors to be Held in Perpetuity	Total
Beginning of Year Balance	$ -	$ 304,008	$ 5,932,588	$ 6,236,596
Contributions	-	-	81,564	81,564
Investment Income	-	69,976	-	69,976
Appropriated for Expenditures	-	(39,000)	-	(39,000)
End of Year Balance	$ -	$ 334,984	$ 6,014,152	$ 6,349,136

2018	Board Designated	Donor Restricted for Specified Purpose	Restricted by Donors to be Held in Perpetuity	Total
Beginning of Year Balance	$ -	$ 246,154	$ 5,615,104	$ 5,861,258
Contributions	-	25,000	317,484	342,484
Investment Income	-	85,422	-	85,422
Appropriated for Expenditures	-	(52,568)	-	(52,568)
End of Year Balance	$ -	$ 304,008	$ 5,932,588	$ 6,236,596

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 net assets without donor restrictions. There were no such deficiencies as of June 30, 2019 or 2018.

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 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).

NOTE 12 ENDOWMENTS (CONTINUED)

Investment and Spending Policies (Continued)

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.

NOTE 13 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 for the Organization. The estimated liability for this retirement benefit obligation is $16,221 and $32,331 as of June 30, 2019 and 2018, respectively, and is included in accrued personnel costs and other expenses and executive retirement agreements, less current portion in the statement of financial position. The liability is based on the discounted present value of the expected future payments earned to date. Expense related to the agreements and reflected in the change in total liability totaled $16,110 and $318,707 for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 RETIREMENT PLAN

The Organization sponsors the Idaho Youth Ranch 401(k) Plan (the Plan). Employees are eligible to participate in the salary reduction arrangement in the Plan after 60 days of service with the Organization and attaining age 18. Employees are eligible to participate in Organization matching contributions after completion of one year of service. The Organization made matching contributions of $74,748 and $76,986 for the years ended June 30, 2019 and 2018, respectively.

NOTE 15 OPERATING LEASES

The Organization has entered into 22 operating leases for thrift store, warehouse, and program services space. The leases require monthly rental payments and have various commencement and expiration dates through August 2028.

NOTE 15 OPERATING LEASES (CONTINUED)

Minimum future rental payments under the long-term operating leases as of June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	$ 1,186,475
2021	925,503
2022	659,574
2023	437,674
2024	387,089
Thereafter	904,933

The Organization also rents property and equipment on an as-needed, month-to-month basis.

Total rent expense under operating leases was $1,226,727 and $1,296,766 for the years ended June 30, 2019 and 2018, respectively.

NOTE 16 OPERATING LEASE COMMITMENTS

The Organization leases facility building and arena space to another nonprofit under a noncancelable operating lease with a term of 15 years. The following is a schedule by years of future minimum rental payments under the lease at June 30, 2019:

Year Ending June 30,	Amount
2020	$ 41,541
2021	46,528
2022	47,772
2023	49,041
2024	50,335
Thereafter	442,911
Total	$ 678,128

NOTE 17 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, the Organization received contributions of $164,841 and $104,977, respectively from board members.