

IDAHO YOUTH RANCH, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



[CLAconnect.com](https://www.CLAconnect.com)

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**IDAHO YOUTH RANCH, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	11



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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, the entity has estimated the value of donated goods inventory utilizing the gross profit method. In our opinion, accounting principles generally accepted in the United States of America require that donated goods inventory should be recorded and valued using net realizable value. The effect of this departure from accounting principles generally accepted in the United States of America on the financial position, the results of operations and its cash flows is undeterminable.

Qualified Opinion

In our opinion, except for the effects of valuing donated goods inventory using the gross profit method, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Idaho Youth Ranch, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Auditors' Updated Opinion on 2019 Financial Statements

In our report dated August 23, 2019, we expressed an opinion that the 2019 financial statements present fairly, in all material respects, the financial position, results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Subsequent to the issuance of the 2019 financial statements we determined, the entity values inventory utilizing valuation method that is not in accordance with accounting principles generally accepted in the United States of America as described in the basis for qualified opinion above. Accordingly, our present opinion on the 2019 financial statements, as presented herein, is different from that expressed in our previous report.



CliftonLarsonAllen LLP

Boise, Idaho
November 12, 2020

IDAHO YOUTH RANCH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,144,493	\$ 662,379
Investments	5,769,190	5,486,390
Accounts Receivable	244,933	170,466
Grant Receivable	55,401	44,381
Current Portion of Pledges Receivable	1,302,000	575,000
Donated Assets Held for Investment	14,700	14,700
Prepaid Expenses and Deposits	248,985	236,145
Inventory	216,569	107,105
Trust Receivables	339,639	351,613
Total Current Assets	10,335,910	7,648,179
 NONCURRENT ASSETS		
Idaho Youth Land Reserve	7,295,000	7,295,000
Investments, Less Current Above	6,706,337	6,014,152
Pledges Receivable, Less Current Portion	108,236	-
Land, Buildings, and Equipment, Less Accumulated Depreciation of \$8,622,763 and \$7,941,895, Respectively	20,045,350	20,372,651
Total Noncurrent Assets	34,154,923	33,681,803
Total Assets	\$ 44,490,833	\$ 41,329,982

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 393,842	\$ 455,434
Accrued Personnel Costs and Other Expenses	1,836,388	1,541,563
Deferred Revenue	648,909	881,641
Line of Credit	-	47,707
Current Maturities of Capital Leases	156,547	149,434
Current Maturities of Long-Term Debt	309,182	298,821
Total Current Liabilities	3,344,868	3,374,600
NONCURRENT LIABILITIES		
Capital Leases, Less Current Maturities	599,598	756,137
Long-Term Debt, Less Current Maturities	5,059,966	5,363,106
Interest in Life Estate	3,318,714	3,399,470
Total Noncurrent Liabilities	8,978,278	9,518,713
Total Liabilities	12,323,146	12,893,313
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without Donor Restrictions	22,580,231	20,848,858
With Donor Restrictions:		
Restricted for Specified Purpose	2,881,119	1,573,659
Restricted by Donors to be Held in Perpetuity	6,706,337	6,014,152
Total With Donor Restrictions	9,587,456	7,587,811
Total Net Assets	32,167,687	28,436,669
Total Liabilities and Net Assets	\$ 44,490,833	\$ 41,329,982

See accompanying Notes to Financial Statements.

**IDAHO YOUTH RANCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,864,076	\$ 2,240,292	\$ 4,104,368
Grants	2,670,300	1,347,309	4,017,609
Fundraising	94,358	1,526	95,884
Program Fees and Services	643,036	-	643,036
Social Enterprise	18,232,511	-	18,232,511
Rent	62,179	-	62,179
Interest and Dividends	224,354	71,754	296,108
Gain on Sale of Investments	48,035	14,554	62,589
Loss on Sale of Assets	(15,948)	-	(15,948)
Unrealized Gain on Investments	218,383	15,589	233,972
Miscellaneous Income	71,651	3,556	75,207
Net Assets Released from Restrictions	1,694,935	(1,694,935)	-
Total Support and Revenue	<u>25,807,870</u>	<u>1,999,645</u>	<u>27,807,515</u>
EXPENSES			
Program Services:			
Residential	2,706,240	-	2,706,240
Community Services	1,311,453	-	1,311,453
Workforce Development	165,866	-	165,866
Social Enterprise	16,530,246	-	16,530,246
Total Program Expenses	<u>20,713,805</u>	<u>-</u>	<u>20,713,805</u>
Supporting Services:			
General and Administration	1,740,247	-	1,740,247
Fundraising	1,622,445	-	1,622,445
Total Supporting Services	<u>3,362,692</u>	<u>-</u>	<u>3,362,692</u>
Total Expenses	<u>24,076,497</u>	<u>-</u>	<u>24,076,497</u>
NET INCREASE IN NET ASSETS	1,731,373	1,999,645	3,731,018
Net Assets - Beginning of Year	<u>20,848,858</u>	<u>7,587,811</u>	<u>28,436,669</u>
NET ASSETS - END OF YEAR	<u>\$ 22,580,231</u>	<u>\$ 9,587,456</u>	<u>\$ 32,167,687</u>

See accompanying Notes to Financial Statements.

**IDAHO YOUTH RANCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 2,229,603	\$ 1,042,209	\$ 3,271,812
Grants	-	639,925	639,925
Fundraising	266,037	70,839	336,876
Program Fees and Services	627,312	-	627,312
Social Enterprise	19,090,739	-	19,090,739
Rent	14,742	-	14,742
Interest and Dividends	335,194	79,655	414,849
Gain on Sale of Investments	929,476	233,693	1,163,169
Gain on Sale of Assets	34,992	5,292	40,284
Unrealized Loss on Investments	(722,458)	(153,441)	(875,899)
Miscellaneous Income	15,838	1,222	17,060
Net Assets Released from Restrictions	6,851,646	(6,851,646)	-
Total Support and Revenue	<u>29,673,121</u>	<u>(4,932,252)</u>	<u>24,740,869</u>
EXPENSES			
Program Services:			
Residential	2,483,053	-	2,483,053
Community Services	1,070,042	-	1,070,042
Workforce Development	155,575	-	155,575
Social Enterprise	16,257,147	-	16,257,147
Total Program Expenses	<u>19,965,817</u>	<u>-</u>	<u>19,965,817</u>
Supporting Services:			
General and Administration	1,807,211	-	1,807,211
Fundraising	1,851,896	-	1,851,896
Total Supporting Services	<u>3,659,107</u>	<u>-</u>	<u>3,659,107</u>
Total Expenses	<u>23,624,924</u>	<u>-</u>	<u>23,624,924</u>
NET INCREASE IN NET ASSETS	6,048,197	(4,932,252)	1,115,945
Net Assets - Beginning of Year	<u>14,800,661</u>	<u>12,520,063</u>	<u>27,320,724</u>
NET ASSETS - END OF YEAR	<u>\$ 20,848,858</u>	<u>\$ 7,587,811</u>	<u>\$ 28,436,669</u>

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services		Total
	Residential	Community Services	Workforce Development	Social Enterprise	General and Administration	Fundraising	
Salaries and Wages	\$ 1,344,763	\$ 741,681	\$ 102,229	\$ 7,696,488	\$ 1,091,579	\$ 911,862	\$ 11,888,602
Temporary Labor	-	-	-	285,261	-	-	285,261
Payroll Taxes and Insurance	161,261	78,919	11,190	737,635	98,853	72,651	1,160,509
Employee Benefits	153,234	72,955	12,653	1,137,072	101,834	53,795	1,531,543
Employee Job Related	27,616	17,553	2,446	40,590	27,714	9,024	124,943
Employee Recruitment	5,649	3,746	96	791	462	3,666	14,410
Business Travel and Meals	27,876	8,721	108	79,497	12,291	14,476	142,969
Client Health	5,204	159	25	-	-	-	5,388
Animal Therapy	16,871	-	-	-	-	-	16,871
Other Client Therapy	1,391	3,244	53	-	-	1	4,689
Client Necessities	45,112	20,879	257	-	-	1,140	67,388
Scholarships	15,881	7,214	1,105	-	-	-	24,200
Trainee Stipends	-	-	23,180	-	-	-	23,180
Occupancy	15,037	183	-	1,114,535	287	21	1,130,063
Utilities	86,468	36,498	1,230	726,971	30,641	7,227	889,035
Repairs and Maintenance	66,317	48,308	2,932	704,897	15,194	11,419	849,067
Equipment Rent	4,661	2,330	-	539,433	1,092	192	547,708
Depreciation and Amortization	459,305	18,626	985	706,240	34,248	56,474	1,275,878
Professional Services	122,315	58,182	3,226	141,282	152,799	48,843	526,647
Advertising and Promotions	4,240	142,512	94	44,088	4,651	266,679	462,264
Transportation Expense	17,194	1,348	243	193,033	13,795	53	225,666
General Supplies	63,255	25,091	2,379	563,233	47,026	76,299	777,283
Insurance	44,804	18,992	1,310	175,629	31,925	2,394	275,054
Credit Card and Bank Fees	12,677	1,432	83	269,505	4,320	18,490	306,507
Interest	1,241	272	42	170,108	65,508	5,232	242,403
Miscellaneous	3,868	2,608	-	8,892	6,028	62,507	83,903
Cost of Goods Sold - Purchased	-	-	-	473,442	-	-	473,442
Cost of Goods Sold - Donated Merchandise	-	-	-	105,611	-	-	105,611
Cost of Goods Sold - Other	-	-	-	616,013	-	-	616,013
Total	\$ 2,706,240	\$ 1,311,453	\$ 165,866	\$ 16,530,246	\$ 1,740,247	\$ 1,622,445	\$ 24,076,497

See accompanying Notes to Financial Statements.

**IDAHO YOUTH RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

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

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Net Assets	\$ 3,731,018	\$ 1,115,945
Adjustments to Reconcile Net Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,275,878	995,516
Gain on Sale of Investments	(62,589)	(1,163,169)
(Gain)/Loss on Sale of Assets	15,948	(40,284)
Unrealized (Gain)/Loss on Investments	(233,972)	875,899
Change in Liability for Interest in Life Estate	(80,756)	(79,880)
Noncash Contribution of Investments	(271,789)	(38,880)
Noncash Contribution of Property and Equipment	-	(474,636)
Contributions Restricted for Long-Term Purposes	(692,185)	(81,564)
(Increase) Decrease in Assets:		
Accounts Receivable	(74,467)	125,602
Grants Receivable	(11,020)	(44,381)
Pledges Receivable	(835,236)	909,674
Prepaid Expenses	(12,840)	(1,595)
Inventory	(109,464)	(40,099)
Trust Receivables, Net	9,000	9,500
Increase (Decrease) in Liabilities:		
Accounts Payable	(61,592)	(237,196)
Annuities Payable	-	(23)
Accrued Personnel Costs and Other Expenses	294,825	293,416
Deferred Revenue	(232,732)	(385,677)
Net Cash Provided by Operating Activities	2,648,027	1,738,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,016,123)	(3,336,474)
Proceeds from Sale of Property and Equipment	51,598	293,265
Purchase of Investments	(1,987,195)	(12,142,184)
Proceeds from Sale of Investments	1,583,534	12,637,406
Net Cash Used by Investing Activities	(1,368,186)	(2,547,987)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase on Line of Credit	(47,707)	47,707
Proceeds from Long-Term Debt	-	109,675
Principal Payments on Capital Leases	(149,426)	(142,654)
Principal Payments on Long-Term Debt	(292,779)	(271,163)
Proceeds from Contributions Restricted for Permanent Endowment	692,185	81,564
Net Cash Provided (Used) by Financing Activities	202,273	(174,871)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,482,114	(984,690)
Cash and Cash Equivalents - Beginning of Year	662,379	1,647,069
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,144,493	\$ 662,379

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020 AND 2019

	2020	2019
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash Paid for Interest	\$ 243,294	\$ 263,810
Noncash Contribution of Property and Equipment	\$ -	\$ 474,636
Noncash Contributions of Inventory and Other Items	\$ 18,008,604	\$ 19,204,945

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

IYR operates a residential facility that houses youth between the ages of 8 and 18 who are at-risk due to abuse, neglect, family conflict, and/or abandonment; or youth who are struggling with dangerous behavior, or conflicts at school or home. Services are tailored to meet each child's unique situation and may include animal assisted therapy, behavioral therapy, functional family therapy, service learning, educational recovery, and life skill development. Reintegration services and ongoing access to therapy are a key part of finishing the job as youth are brought back into their homes.

Community Services

IYR provides youth and family therapy in both North Idaho and in Southwest Idaho and telehealth mental health services statewide. IYR's therapy is targeted to at-risk youth and uses the most comprehensive and effective therapy to put them back on a path to a promising future. Blending proven evidence-based therapies; Trauma Focused – Cognitive Behavioral Therapy, Dialectical Behavior Therapy, Eye Movement Desensitization and Reprocessing Therapy, and adding Equine Assisted Therapy, Idaho Youth Ranch provides a treatment model unlike others, proven to heal youth who struggle with acute, chronic, and complex trauma.

IYR's adoption services program in Northern Idaho offers a full range of services including placement of infants, special-needs adoption, home studies and post-placement supervision, international and interstate adoption, and non-agency adoption. Since 1983, IYR has practiced an "open adoption" philosophy, helping facilitate collaboration and cooperation between birth parents and adoptive parents over the child's lifetime, to the greatest extent possible.

Workforce Development

Launched in March 2013, Youthworks! Is a comprehensive job training and job placement program created to help disadvantaged youth ages 6-22 develop the skills they need to find and keep meaningful employment. This program includes classroom instruction, job placement, one-on-one mentoring, and oversight.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION (CONTINUED)

Programs and Services (Continued)

Social Enterprise

Idaho Youth Ranch (IYR) owns and operates 24 thrift stores, online book and collectible divisions, and a vehicle sales lot. These locations sell and/or recycle clothing, vehicles and other non-cash goods donated by the public to fund therapeutic programs for at-risk Idaho youth and their families. Stores serve as job training sites for IYR's Youthworks! program. Stores include a Ranch Readers program, which provides free books and incentives for reading them to Idaho children. IYR Social Enterprise recycles donated goods that cannot be sold, helping reduce the volume of waste entering public landfills in Idaho's communities.

Administration and Fundraising

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

Change in Accounting Principle

In 2019, the Company adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Company's financial position and results of operations upon adoption of the new standard.

In June 2018, FASB issued Accounting Standards Update (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 also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The financial statements reflect the adoption for ASU 2018-08 as of July 1, 2019.

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.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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 donor restricted temporary in nature 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, 2020 and 2019.

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.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 Organization's policy is to recognize the estimated value of donated goods inventory utilizing the gross profit method. Accounting principles generally accepted in the United States of America state that year-end donated goods inventory should be recorded and valued using net realizable value. The Organization under the gross profit method, at June 30, 2020 and 2019, did not record donated goods inventory. The Organization, under advisement of their Finance Committee and Board, believes this to be a more accurate depiction of the value of year end donated goods inventory. The Organization, their Finance Committee, and their Board, believe a major uncertainty about the existence of value exists. The effect of this departure from generally accepted accounting principles has not been determined.

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 years ended June 30, 2020 and 2019, a net decrease of \$80,756 and \$79,880, 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

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment (Continued)

Depreciation and amortization expense for the years ended June 30, 2020 and 2019 was \$1,275,878 and \$995,516, respectively.

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 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, 2020 and 2019.

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.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$57,220 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Program fees and services include revenue related to vocational and therapy programs and is recognized at the time the service is provided.

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.

**IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions of a conditional nature with specified terms are recorded to refundable advances 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.

The Organization recognizes revenue from social enterprise (thrift store sales) when the customer obtains control of promised goods in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods. Revenue is recognized when control of the goods has transferred to customers.

For the majority of thrift store sales, control transfers to customers at the point in time when the goods have been shipped, purchased in person or picked up as that is generally when legal title, physical possession, and the risk and rewards of the goods transfers to the customer.

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.

The Organization's contract liabilities consist of:

	2020	2019
Deferred Revenue:		
Prepaid Gift Cards and Loyalty Program	\$ 472,593	\$ 776,931
Deferred Event Income	176,316	104,710
Total	\$ 648,909	\$ 881,641

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.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

The Organization had \$6,860,149 and \$5,851,016 of financial assets available within one year of the years ending June 30, 2020 and 2019 respectively consisting of:

	2020	2019
Cash and Cash Equivalents	\$ 2,144,493	\$ 662,379
Accounts Receivable	244,933	170,466
Grants Receivable	55,401	44,381
Pledges Receivable	1,302,000	575,000
Reserve Fund	5,242,718	5,299,052
Less: Donor Imposed Restrictions	(2,126,159)	(900,262)
Total	<u>\$ 6,863,386</u>	<u>\$ 5,851,016</u>

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.

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.

New Accounting Pronouncement Effective in Future Accounting Periods

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.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods (Continued)

Leases (Continued)

The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its financial statements.

Risks and Uncertainties

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these effects are still developing.

Reclassifications

Certain amounts have been reclassified for the year ended June 30, 2019, to conform to the presentation for the year ended June 30, 2020. 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 November 12, 2020, 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, 2020:

<u>Collection Period</u>	<u>Pledges Receivable</u>	<u>Discount</u>	<u>Net Pledges Receivable</u>
Within One Year	\$ 1,302,000	\$ -	\$ 1,302,000
Between One to Five Years	112,000	(3,764)	108,236
Total	<u>\$ 1,414,000</u>	<u>\$ (3,764)</u>	<u>\$ 1,410,236</u>

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 PLEDGES RECEIVABLE (CONTINUED)

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	<u>\$ 575,000</u>	<u>\$ -</u>	<u>\$ 575,000</u>

Pledges receivable from two individual donors represented approximately 88% of the total pledges receivable balance at June 30, 2020. Pledges receivable from one individual donor represented approximately 87% of total pledges receivable balance at June 30 2020.

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, 2020:

	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds:				
Domestic Equity	\$ 4,622,511	\$ -	\$ -	\$ 4,622,511
Fixed Income	4,744,661	-	-	4,744,661
International Equity	3,108,355	-	-	3,108,355
Total Investments	<u>\$ 12,475,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,475,527</u>

The following table sets forth by level within 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	<u>\$ 11,500,542</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,500,542</u>

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land and Improvements	\$ 8,087,047	\$ 8,061,157
Buildings and Improvements	14,906,444	14,371,790
Furniture and Equipment	3,688,896	4,068,119
Vehicles	1,116,123	1,025,140
Loan Origination and Asset Acquisition Fees	114,643	114,643
Total	<u>27,913,153</u>	<u>27,640,849</u>
Less: Accumulated Depreciation and Amortization	<u>(8,622,763)</u>	<u>(7,941,895)</u>
Total	19,290,390	19,698,954
Construction in Progress	754,960	673,697
Total	<u>\$ 20,045,350</u>	<u>\$ 20,372,651</u>

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 \$629,009 as of June 30, 2020.

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, there were no future benefits expected to be paid by the Organization for the year ended June 30, 2020 and 2019.

The Organization made payments to annuitants in the amount of \$15,617 and \$15,617 for the years ended June 30, 2020 and 2019, respectively. Of the amount paid, \$0 and \$23 was recorded as a reduction in the liability for 2020 and 2019, respectively, and \$15,617 and \$15,594 were recorded as an expense for the years ended June 30, 2020 and 2019, respectively.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 NOTES PAYABLE

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

<u>Description</u>	<u>2020</u>	<u>2019</u>
D.L. Evans Bank; monthly payments of \$22,202, including interest at 4.17%; maturing December 2031; collateralized by buildings	\$ 2,939,977	\$ 3,078,579
Private party; annual payments of \$160,000, including interest at 2.50%; maturing May 2034; collateralized by Idaho Youth Land Reserve	1,870,546	1,981,020
Wells Fargo Bank; monthly payments of \$4,467, including interest at 5.20%; maturing April 2027; collateralized by real property and buildings	468,143	496,178
Private party; monthly payments of \$1,306, noninterest bearing; maturing February 2026; collateralized by real property and buildings	<u>90,482</u>	<u>106,150</u>
Total	5,369,148	5,661,927
Less: Current Maturities	<u>309,182</u>	<u>298,821</u>
Long-Term Debt, Less Current Maturities	<u>\$ 5,059,966</u>	<u>\$ 5,363,106</u>

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, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 309,182
2022	308,177
2023	302,076
2024	312,377
2025	323,182
Thereafter	<u>3,814,154</u>
Total	<u>\$ 5,369,148</u>

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 12, 2020, 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 28, 2021, 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, 2020 and 2019 was \$-0- and \$47,707, 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 accrued interest at a rate of 4.25% and then based on a variable rate of interest equal to the prime rate less 0.25% and was due on a quarterly basis. There was no outstanding balance as of June 30, 2019. During the year ended June 30, 2020, the line of credit was closed.

NOTE 10 CAPITAL LEASES

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

	<u>2020</u>	<u>2019</u>
Equipment	\$ 1,121,498	\$ 1,121,498
Less: Accumulated Depreciation	400,110	239,594
Total	<u>\$ 721,388</u>	<u>\$ 881,904</u>

Future minimum payments under these capital leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 188,421
2022	188,277
2023	186,684
2024	186,684
2025	88,777
Less: Amount Representing Interest	<u>(82,698)</u>
Present Value of Minimum Lease Payments	756,145
Less: Current Portion of Capital Lease Obligations	156,547
Total Noncurrent Portion	<u>\$ 599,598</u>

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 FUNDS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Restricted for Scholarships	\$ 376,948	\$ 334,984
Restricted for Life Estate	482,020	401,264
Restricted for Capital Campaign	1,878,320	777,057
Restricted for Specific Programs	143,831	60,354
Total	<u>2,881,119</u>	<u>1,573,659</u>
Restricted by Donors to be Held in Perpetuity:		
Restricted for General Endowment	3,917,661	3,779,560
Restricted for Scholarships	917,726	907,726
Restricted for Specific Programs	1,870,950	1,326,866
Total	<u>6,706,337</u>	<u>6,014,152</u>
Total Net Assets with Donor Restrictions	<u>\$ 9,587,456</u>	<u>\$ 7,587,811</u>

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:

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions:		
Restricted for Scholarships	\$ 24,000	\$ 39,000
Restricted for Annuities	-	23
Restricted for Capital Campaign	127,916	5,651,865
Restricted for Specific Programs	1,543,019	1,160,758
Total	<u>\$ 1,694,935</u>	<u>\$ 6,851,646</u>

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2020			
	Board	Donor	Restricted by	Total
	Designated	Restricted for Specified Purpose	Donors to be Held in Perpetuity	
Beginning of Year Balance	\$ -	\$ 334,984	\$ 6,014,152	\$ 6,349,136
Contributions	-	-	692,185	692,185
Investment Income	-	65,964	-	65,964
Appropriated for Expenditures	-	(24,000)	-	(24,000)
End of Year Balance	\$ -	\$ 376,948	\$ 6,706,337	\$ 7,083,285
	2019			
	Board	Donor	Restricted by	
	Designated	Restricted for Specified Purpose	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

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, 2020 or 2019.

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).

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$-0- and \$16,221 as of June 30, 2020 and 2019, 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 \$16,221 and \$16,110 for the years ended June 30, 2020 and 2019, 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 90 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 \$80,930 and \$74,748 for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 OPERATING LEASES

The Organization has entered into 18 operating leases for thrift store, warehouse, and program services space. The leases require monthly rental payments and have various commencement and expiration dates through November 2027.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 OPERATING LEASES (CONTINUED)

Minimum future rental payments under the long-term operating leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	1,071,138
2022	813,919
2023	595,307
2024	548,074
2025	403,981
Thereafter	627,248

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

Total rent expense under operating leases was \$1,186,475 and \$1,226,727 for the years ended June 30, 2020 and 2019, 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, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 46,528
2022	47,772
2023	49,041
2024	50,335
2025	51,655
Thereafter	391,256
Total	<u>\$ 636,587</u>

NOTE 17 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, the Organization received contributions of \$163,888 and \$164,841, respectively from board members.

