

IDAHO YOUTH RANCH, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR
YEAR ENDED JUNE 30, 2015)

IDAHO YOUTH RANCH, INC.
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(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

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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, 2016, 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.

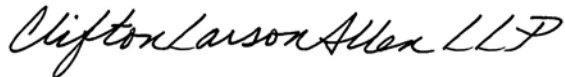
Board of Directors
Idaho Youth Ranch, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Idaho Youth Ranch, Inc. as of June 30, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Boise, Idaho
November 7, 2016

IDAHO YOUTH RANCH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 654,787	\$ 2,649,222
Investments	6,094,819	5,609,042
Accounts Receivable	90,938	128,415
Grants Receivable	8,337	63,618
Current Portion of Pledges Receivable	1,002,939	14,643
Donated Assets Held for Investment	14,700	14,700
Prepaid Expenses and Deposits	220,147	227,570
Inventory	404,490	402,027
Trust Receivables	346,261	370,011
Total Current Assets	<u>8,837,418</u>	<u>9,479,248</u>
NONCURRENT ASSETS		
Idaho Youth Land Reserve	7,295,000	7,295,000
Investments, Less Current Above	5,209,160	4,585,205
Pledges Receivable, Less Current Portion	3,988,645	-
Land, Buildings, and Equipment, Less Accumulated Depreciation of \$7,313,571 and \$9,748,210, Respectively	<u>15,273,430</u>	<u>16,914,673</u>
Total Noncurrent Assets	<u>31,766,235</u>	<u>28,794,878</u>
Total Assets	<u>\$ 40,603,653</u>	<u>\$ 38,274,126</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 718,472	\$ 544,202
Annuities Payable	1,323	1,973
Accrued Personnel Costs and Other Expenses	1,320,233	1,208,750
Deferred Revenue	1,053,938	1,118,056
Current Maturities of Long-Term Debt	231,887	237,191
Total Current Liabilities	<u>3,325,853</u>	<u>3,110,172</u>
NONCURRENT LIABILITIES		
Long-Term Debt, Less Current Maturities	5,527,383	5,753,728
Executive Retirement Agreements, Less Current Portion	331,920	330,205
Interest in Life Estate	2,969,211	3,277,935
Total Noncurrent Liabilities	<u>8,828,514</u>	<u>9,361,868</u>
Total Liabilities	12,154,367	12,472,040
NET ASSETS		
Unrestricted	17,127,789	20,434,774
Temporarily Restricted	6,112,337	782,107
Permanently Restricted	5,209,160	4,585,205
Total Net Assets	<u>28,449,286</u>	<u>25,802,086</u>
Total Liabilities and Net Assets	<u>\$ 40,603,653</u>	<u>\$ 38,274,126</u>

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Contributions	\$ 1,388,310	\$ 6,117,839	\$ 623,955	\$ 8,130,104	\$ 2,011,674
Grants	25,000	406,028	-	431,028	557,673
Fundraising	675	186,463	-	187,138	181,955
Program Fees and Services	307,143	77,355	-	384,498	770,322
Social Enterprise	17,050,754	-	-	17,050,754	15,971,685
Rent	4,001	1,250	-	5,251	4,860
Interest and Dividends	184,198	122,682	-	306,880	407,489
Gain (Loss) on Sale of Investments	9,977	(84,941)	-	(74,964)	1,385,380
Gain (Loss) on Sale of Assets	34,383	(538,453)	-	(504,070)	626,991
Unrealized Loss on Investments	(265,487)	(156,149)	-	(421,636)	(1,790,241)
Miscellaneous Income	31,932	355	-	32,287	145,006
Net Assets Released from Restrictions	802,199	(802,199)	-	-	-
Total Support and Revenue	<u>19,573,085</u>	<u>5,330,230</u>	<u>623,955</u>	<u>25,527,270</u>	<u>20,272,794</u>
EXPENSES					
Program Services:					
Residential	2,274,407	-	-	2,274,407	3,605,484
Community Services	1,122,289	-	-	1,122,289	677,709
Workforce Development	171,909	-	-	171,909	421,823
Social Enterprise	16,390,555	-	-	16,390,555	15,755,918
Total Program Expenses	<u>19,959,160</u>	<u>-</u>	<u>-</u>	<u>19,959,160</u>	<u>20,460,934</u>
Supporting Services:					
General and Administration	1,641,374	-	-	1,641,374	1,647,159
Fundraising	1,279,536	-	-	1,279,536	1,254,380
Total Supporting Services	<u>2,920,910</u>	<u>-</u>	<u>-</u>	<u>2,920,910</u>	<u>2,901,539</u>
Total Expenses	<u>22,880,070</u>	<u>-</u>	<u>-</u>	<u>22,880,070</u>	<u>23,362,473</u>
NET INCREASE (DECREASE) IN NET ASSETS	(3,306,985)	5,330,230	623,955	2,647,200	(3,089,679)
Net Assets - Beginning of Year	<u>20,434,774</u>	<u>782,107</u>	<u>4,585,205</u>	<u>25,802,086</u>	<u>28,891,765</u>
NET ASSETS - END OF YEAR	<u><u>\$ 17,127,789</u></u>	<u><u>\$ 6,112,337</u></u>	<u><u>\$ 5,209,160</u></u>	<u><u>\$ 28,449,286</u></u>	<u><u>\$ 25,802,086</u></u>

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

	2016						2015	
	Program Services			Supporting Services			Total	Total
	Residential	Community Services	Workforce Development	Social Enterprise	General and Administration	Fundraising		
Salaries and Wages	\$ 1,227,809	\$ 677,267	\$ 104,450	\$ 6,625,611	\$ 911,980	\$ 626,088	\$ 10,173,205	\$ 10,366,168
Temporary Labor	835	1,714	-	1,094,662	18,947	-	1,116,158	1,182,907
Payroll Taxes and Insurance	179,996	92,884	12,021	742,368	98,074	60,040	1,185,383	1,222,410
Employee Benefits	100,647	59,079	8,035	996,197	92,529	35,172	1,291,659	1,319,838
Employee Job Related	22,091	31,465	2,694	83,382	17,998	8,167	165,797	142,693
Employee Recruitment	1,754	1,420	25	2,072	3,330	195	8,796	6,042
Business Travel and Meals	22,793	31,111	847	41,607	21,248	11,870	129,476	144,760
Client Health	8,924	553	-	-	-	-	9,477	22,941
Animal Therapy	13,238	8	-	-	-	-	13,246	52,836
Other Client Therapy	352	966	6	-	-	-	1,324	9,650
Client Necessities	46,577	13,103	1,011	-	-	-	60,691	145,015
Scholarships	311	1,448	233	-	24,191	-	26,183	23,281
Trainee Stipends	-	-	15,609	-	-	-	15,609	133,646
Occupancy	40,835	1,950	25	1,207,956	252	4,807	1,255,825	1,221,442
Utilities	88,702	31,846	1,082	1,081,325	28,575	5,047	1,236,577	1,140,848
Repairs and Maintenance	81,950	28,882	863	721,088	10,017	5,170	847,970	793,796
Equipment Rent	8,869	2,407	76	533,997	6,990	25,929	578,268	516,109
Depreciation and Amortization	184,595	28,258	5,338	782,065	58,036	13,048	1,071,340	1,159,265
Professional Services	45,427	30,960	6,758	127,490	163,173	43,185	416,993	470,738
Advertising and Promotions	61,430	34,653	5,469	212,524	7,287	274,079	595,442	385,134
Transportation Expense	35,060	10,074	2,160	242,207	8,468	461	298,430	308,424
General Supplies	45,825	22,278	3,395	397,934	45,610	98,869	613,911	782,832
Insurance	39,523	15,210	1,407	150,407	17,333	1,558	225,438	232,629
Credit Card and Bank Fees	2,520	1,688	123	328,715	10,980	15,362	359,388	326,682
Interest	1,062	540	111	124,451	75,989	7,056	209,209	216,768
Miscellaneous	13,282	2,525	171	17,395	20,367	43,433	97,173	103,248
Cost of Goods Sold - Purchased	-	-	-	187,299	-	-	187,299	439,408
Cost of Goods Sold - Other	-	-	-	689,803	-	-	689,803	492,963
Total	<u>\$ 2,274,407</u>	<u>\$ 1,122,289</u>	<u>\$ 171,909</u>	<u>\$ 16,390,555</u>	<u>\$ 1,641,374</u>	<u>\$ 1,279,536</u>	<u>\$ 22,880,070</u>	<u>\$ 23,362,473</u>

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase (Decrease) in Net Assets	\$ 2,647,200	\$ (3,089,679)
Adjustments to Reconcile Net Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,071,340	1,159,265
(Gain)/Loss on Sale of Investments	74,964	(1,385,380)
(Gain)/Loss on Sale of Assets	504,070	(626,991)
Unrealized Loss on Investments	421,636	1,790,241
Cash Received for Purchase of Long-Term Asset	(382,498)	-
Contributions from Life Estate	(308,724)	(343,784)
(Increase) Decrease in Assets:		
Accounts Receivable	37,477	(8,121)
Grants Receivable	55,281	42,131
Pledges Receivable	(4,976,941)	(14,643)
Cash Surrender Value of Life Insurance	-	(33,075)
Prepaid Expenses	7,423	(36,469)
Inventory	(2,463)	33,655
Trust Receivables, Net	9,800	11,350
Increase (Decrease) in Liabilities:		
Accounts Payable	174,270	108
Annuities Payable	(650)	(752)
Accrued Personnel Costs and Other Expenses	113,198	(10,632)
Deferred Revenue	(64,118)	452,033
Net Cash Used by Operating Activities	(618,735)	(2,060,743)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(613,887)	(1,972,099)
Proceeds from Sale of Property and Equipment	679,720	1,267,537
Proceeds from Sale of Life Insurance	-	440,545
Proceeds from Sale of Donated Assets Held for Investment	-	18,000
Purchase of Investments	(4,056,722)	(5,610,939)
Proceeds from Sale of Investments	2,464,340	10,629,210
Net Cash Provided (Used) by Investing Activities	(1,526,549)	4,772,254
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Payments on Line of Credit	-	(79,239)
Cash Received for Purchase of Long-Term Asset	382,498	-
Principal Payments on Long-Term Debt	(231,649)	(223,680)
Net Cash Provided (Used) by Financing Activities	150,849	(302,919)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,994,435)	2,408,592
Cash and Cash Equivalents - Beginning of Year	2,649,222	240,630
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 654,787	\$ 2,649,222
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash Paid for Interest	\$ 209,994	\$ 218,382
Noncash Contributions of Inventory and Other Items	\$ 17,574,564	\$ 15,883,075

See accompanying Notes to Financial Statements.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

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, 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.

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.

Residential - Anchor House

Located in Coeur d'Alene, Idaho services included structured community-based residential care, substance abuse treatment, educational recovery, service learning, and related counseling for children struggling with dangerous behavior, conflict at school or conflict at home. Residential services were phased out of this facility in August of 2015 transitioning to an outpatient, community-services counseling program.

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, Eegala Equine Therapy, and Dialectical Behavior Therapy the Idaho Youth Ranch provides a proven treatment model unavailable anywhere else in Idaho.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

NOTE 1 ORGANIZATION (CONTINUED)

Programs and Services (Continued)

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 non-agency adoptions. An "open-adoption" philosophy is applied to help facilitate collaboration and cooperation between birth parents and adoptive parents throughout the child's lifetime.

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 27 locations throughout Idaho and one location in Ontario, Oregon, one outlet store located in Boise, 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 not-for-profit 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, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Unrestricted Net Assets

Resources that are free of donor-imposed restrictions. All revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets are considered unrestricted. Any limitations on these funds are determined by the board of directors.

Temporarily Restricted Net Assets

Resources for which donor imposed restrictions will be met either by the passage of time or by satisfying the purpose of the restriction.

Permanently Restricted Net Assets

Resources which donors have specified must be maintained in perpetuity. The related income is 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, temporarily restricted net assets are reclassified to unrestricted net assets 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, 2016 and 2015.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Inventory

Inventories are stated at the lower of cost or market, including merchandise that has been purchased for sale in the Organization's thrift stores and items donated to the thrift stores that have a readily determinable market value. The vast majority of thrift store inventory is comprised of donated merchandise without a readily determinable market value and no cost is assigned. Refer to the Revenue Recognition policy for further information.

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, 2016 and 2015, \$308,724 and \$298,804, respectively, was recorded into income and is included as a temporarily restricted contribution.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at original cost. Donated assets are recorded at fair market value at the date of donation. Generally, according to the Organization's capitalization policy, furniture, fixtures, equipment, and vehicles over \$1,000, and buildings and improvements over \$5,000, are capitalized, 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 - 50 Years
Furniture, Fixtures, and Equipment	3 - 20 Years
Vehicles	3 - 10 Years

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$1,071,340 and \$1,159,265, 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 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, 2016 and 2015.

IDAHO YOUTH RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 temporarily 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.

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.

IDAHO YOUTH RANCH, INC.
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

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.

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, 2015, from which the summarized information was derived.

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.

IDAHO YOUTH RANCH, INC.
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through November 7, 2016, 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 RECEIVABLES

Pledges Receivable consisted of the following as of June 30, 2016:

<u>Collection Period</u>	<u>Pledges Receivable</u>	<u>Discount</u>	<u>Net Pledges Receivable</u>
Within 1 Year	\$ 1,017,499	\$ (14,560)	\$ 1,002,939
Between 1 to 5 Years	4,015,500	(26,855)	3,988,645
	<u>\$ 5,032,999</u>	<u>\$ (41,415)</u>	<u>\$ 4,991,584</u>

Conditional Pledges totaled \$803,700. Based on the conditional terms defined in the donor agreements these have been excluded from the financial statements for the year ended June 30, 2016.

IDAHO YOUTH RANCH, INC.
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NOTE 5 FAIR VALUE OF INVESTMENTS

The following table sets forth by level within the fair value hierarchy, the Organization's assets and liabilities at June 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
Alternative Investments:				
Fund of Funds	\$ -	\$ -	\$ 883,994	\$ 883,994
Common Stocks:				
Consumer Discretionary	310,214	-	-	310,214
Consumer Staples	122,388	-	-	122,388
Energy	41,076	-	-	41,076
Financial	305,482	-	-	305,482
Healthcare	178,293	-	-	178,293
Industrials	222,555	-	-	222,555
Materials	66,456	-	-	66,456
Technology	244,493	-	-	244,493
Telecommunications	24,576	-	-	24,576
Utility	-	-	-	-
Mutual Funds:				
Domestic Equity	3,409,449	-	-	3,409,449
Fixed Income	3,421,878	-	-	3,421,878
International Equity	1,262,625	-	-	1,262,625
Real Assets/Commodities	396,029	-	-	396,029
World Allocation	414,471	-	-	414,471
Total Investments	<u>\$ 10,419,985</u>	<u>\$ -</u>	<u>\$ 883,994</u>	<u>\$ 11,303,979</u>

The following table sets forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2016.

Investment Type	Fair Value	2016		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
Fund of Funds	\$ 883,994	\$ -	Quarterly	90 days
Investment Type	Fair Value	2015		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
International Fund	\$ 592,414	\$ -	Monthly	30 days
Fund of Funds	1,254,493	-	Quarterly	90 days
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund of Funds	\$ 883,994	\$ -	Quarterly	90 days

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NOTE 5 FAIR VALUE OF INVESTMENTS (CONTINUED)

The Fund of Funds is a hedge fund that invests in other hedge funds. The objective of the Fund of Funds is to seek capital appreciation with an attractive risk-adjusted rate of return over a complete market cycle. In pursuit of the objective, the Fund of Funds may allocate substantially all of its assets across a variety of investment vehicles, generally with fixed income and equity orientations, covering many different investment styles.

The following table sets forth by level within the fair value hierarchy, the Organization's assets and liabilities at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Alternative Investments:				
International Equity	\$ -	\$ 592,414	\$ -	\$ 592,414
Fund of Funds	-	-	1,254,493	1,254,493
Common Stocks:				
Consumer Discretionary	322,374	-	-	322,374
Consumer Staples	124,987	-	-	124,987
Energy	88,749	-	-	88,749
Financial	319,685	-	-	319,685
Healthcare	265,516	-	-	265,516
Industrials	242,027	-	-	242,027
Materials	131,789	-	-	131,789
Technology	389,705	-	-	389,705
Telecommunications	20,097	-	-	20,097
Utility	39,635	-	-	39,635
Mutual Funds:				
Domestic Equity	1,525,135	-	-	1,525,135
Fixed Income	2,616,968	-	-	2,616,968
International Equity	1,255,209	-	-	1,255,209
Real Assets/Commodities	466,314	-	-	466,314
World Allocation	539,150	-	-	539,150
Total Investments	<u>\$ 8,347,340</u>	<u>\$ 592,414</u>	<u>\$ 1,254,493</u>	<u>\$ 10,194,247</u>

The following table sets forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative Investments:				
International Fund	\$ 592,414	\$ -	Monthly	30 days
Fund of Funds	1,254,493	-	Quarterly	90 days

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NOTE 5 FAIR VALUE OF INVESTMENTS (CONTINUED)

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	
	2016	2015
Balance, Beginning of Year	\$ 1,254,493	\$ 1,254,246
Withdrawals	(241,813)	-
Total Unrealized Gains Relating to Instruments Still Held at the Reporting Date	(128,686)	247
Balance, End of Year	<u>\$ 883,994</u>	<u>\$ 1,254,493</u>

NOTE 6 LAND, BUILDINGS, AND EQUIPMENT

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

	2016	2015
Land and Improvements	\$ 6,818,322	\$ 7,142,541
Buildings and Improvements	11,178,756	14,102,435
Furniture and Equipment	3,114,964	3,925,157
Vehicles	946,076	1,026,857
Loan Origination and Asset Acquisition Fees	114,643	114,643
	<u>22,172,761</u>	<u>26,311,633</u>
Less: Accumulated Depreciation and Amortization	(7,313,571)	(9,748,210)
	14,859,190	16,563,423
Construction in Progress	414,240	351,250
Total	<u>\$ 15,273,430</u>	<u>\$ 16,914,673</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 \$360,415 as of June 30, 2016.

IDAHO YOUTH RANCH, INC.
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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 for the unrestricted use of the Organization. Based on donor life expectancy, the present value of future benefits expected to be paid by the Organization was estimated to be \$1,323 and \$1,973 for the years ended June 30, 2016 and 2015, respectively. The Organization made payments to annuitants in the amount of \$16,928 and \$17,607 for the years ended June 30, 2016 and 2015, respectively. Of the total amount paid, \$650 and \$752 were recorded as a reduction in the liability and \$16,278 and \$16,855 were recorded as an expense for the years ended June 30, 2016 and 2015, respectively.

NOTE 8 NOTES PAYABLE

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

<u>Description</u>	<u>2016</u>	<u>2015</u>
D.L. Evans Bank; Monthly payments of \$22,202, including interest at 4.17%; maturing December 2013; Collateralized by Buildings	\$ 3,461,516	\$ 3,578,876
Private party; Annual payments of \$160,000, including interest at 2.50%; maturing May 2034; collateralized Idaho Youth Land Reserve	2,296,538	2,396,623
US Bank; Capital lease obligation; Monthly payments of \$1,221, including interest at 5.00%; maturing August 2016; collateralized by equipment	1,216	15,420
Total	<u>5,759,270</u>	<u>5,990,919</u>
Less: Current Maturities	<u>231,887</u>	<u>237,191</u>
Long-Term Debt	<u>\$ 5,527,383</u>	<u>\$ 5,753,728</u>

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

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NOTE 8 NOTES PAYABLE (CONTINUED)

Scheduled principal payments on long-term debt are as follows as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 231,887
2018	238,569
2019	246,754
2020	255,236
2021	264,026
Thereafter	4,522,798
Total	<u>\$ 5,759,270</u>

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 March 7, 2016, and currently has a maximum available amount of \$1,000,000. The line of credit accrues interest based upon a variable rate of interest equal to the prime rate and is subject to an interest rate floor of 3.25%. Interest is due on a monthly basis. The line of credit expires on March 5, 2017, 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 line of credit balance for the years ended June 30, 2016 and 2015 was \$-0-.

NOTE 10 RESTRICTED FUNDS

Temporarily Restricted

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

	<u>2016</u>	<u>2015</u>
Restricted for Scholarships	\$ 172,793	\$ 227,608
Restricted for Annuities	1,323	1,973
Restricted for Life Estate	831,523	522,799
Restricted for Capital Campaign	5,077,374	-
Restricted for Specific Programs	29,324	29,727
Total	<u>\$ 6,112,337</u>	<u>\$ 782,107</u>

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

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NOTE 10 RESTRICTED FUNDS (CONTINUED)

Temporarily Restricted (Continued)

Temporarily restricted net assets were released from restrictions for the following purposes during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Restricted for Scholarships	\$ 24,191	\$ 22,611
Restricted for Annuities	650	752
Restricted for Specific Programs	<u>777,358</u>	<u>1,646,053</u>
Total	<u>\$ 802,199</u>	<u>\$ 1,669,416</u>

Permanently Restricted

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

	<u>2016</u>	<u>2015</u>
Restricted for General Endowment	\$ 3,268,430	\$ 2,662,130
Restricted for Scholarships	891,326	891,326
Restricted for Specific Programs	<u>1,049,404</u>	<u>1,031,749</u>
Total	<u>\$ 5,209,160</u>	<u>\$ 4,585,205</u>

The investment income earned by the general endowment funds is temporarily restricted and may be used according to the board of director's discretion. The investment income earned by the scholarship funds is temporarily restricted to providing youth scholarships. The investment income earned by program specific funds is temporarily restricted to provide for those programs.

NOTE 11 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.

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NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The State of Idaho enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Organization has determined that the majority of the Organization's net assets do not meet the definition of endowment under UPMIFA. The endowment subject 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.

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

	2016			Total
	Board Designated	Temporarily Restricted	Permanently Restricted	
Beginning of Year Balance	\$ -	\$ 227,608	\$ 4,585,205	\$ 4,812,813
Contributions	-	-	623,955	623,955
Investment Income	-	8,103	-	8,103
Appropriated for Expenditures	-	(62,918)	-	(62,918)
End of Year Balance	<u>\$ -</u>	<u>\$ 172,793</u>	<u>\$ 5,209,160</u>	<u>\$ 5,381,953</u>

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NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

	2015			Total
	Board Designated	Temporarily Restricted	Permanently Restricted	
Beginning of Year Balance	\$ -	\$ 218,682	\$ 4,476,734	\$ 4,695,416
Contributions	-	100	108,471	108,571
Investment Income	-	134,060	-	134,060
Appropriated for Expenditures	-	(125,234)	-	(125,234)
End of Year Balance	<u>\$ -</u>	<u>\$ 227,608</u>	<u>\$ 4,585,205</u>	<u>\$ 4,812,813</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2016 or 2015.

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).

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.

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NOTE 12 EXECUTIVE RETIREMENT AGREEMENTS

The Organization has adopted individual supplemental executive retirement agreements. These agreements have been classified as deferred compensation, pursuant to which the Organization will pay supplemental retirement benefits to certain key employees upon retirement, subject to forfeiture, if termination occurs prior to reaching normal retirement age. There is no funding requirement for the Organization. The estimated liability for this retirement benefit obligation is \$347,387 and \$345,571 as of June 30, 2016 and 2015, 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, totaled \$23,869 and \$26,314 for the years ended June 30, 2016 and 2015, respectively.

NOTE 13 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 \$70,023 and \$56,379 for the years ended June 30, 2016 and 2015, respectively.

NOTE 14 OPERATING LEASES

The Organization has entered into ten operating leases for thrift store, warehouse, and program services space. The leases require monthly rental payments and have various commencement and expiration dates through February 2022.

Minimum future rental payments under the long-term operating leases as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,149,858
2018	908,201
2019	715,698
2020	541,106
2021	423,916
Thereafter	156,298

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

Total rent expense under operating leases was \$1,317,424 and \$1,690,466 for the years ended June 30, 2016 and 2015, respectively.