



Financial Statements  
June 30, 2018

Utah Youth Village, Inc.



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## Independent Auditor's Report

To the Board of Directors  
Utah Youth Village, Inc.  
Salt Lake City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of Utah Youth Village, Inc., which comprise the statement of financial position as of June 30, 2018, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Youth Village, Inc. as of June 30, 2018, 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 Utah Youth Village, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Eide Bailly LLP*

Salt Lake City, Utah  
September 20, 2018

Utah Youth Village, Inc.  
Statement of Financial Position  
June 30, 2018

(With summarized financial information as of June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Assets</b>					
Cash and cash equivalents	\$ 2,603,965	\$ 387,328	\$ 164,814	\$ 3,156,107	\$ 2,692,501
Investments	-	40	-	40	60
Accounts receivable, net	1,214,690	-	-	1,214,690	1,348,543
Other receivables	10,883	-	-	10,883	12,543
Beneficial interest in charitable trust held by others	-	-	2,325,332	2,325,332	2,294,492
Promises to give	-	93,750	-	93,750	128,750
Prepaid expenses	216,130	-	-	216,130	182,586
Other assets	-	-	-	-	5,341
Note receivable from unrestricted net assets	-	49,749	2,660,472	2,710,221	2,796,009
Property and equipment, net	10,197,401	-	-	10,197,401	10,617,518
Property and improvements held for future development and sale	4,201,625	-	-	4,201,625	2,169,781
	<u>\$ 18,444,694</u>	<u>\$ 530,867</u>	<u>\$ 5,150,618</u>	<u>\$ 24,126,179</u>	<u>\$ 22,248,124</u>
<b>Liabilities and Net Assets</b>					
Accounts payable	\$ 339,902	\$ -	\$ -	\$ 339,902	\$ 286,999
Unearned revenues	249,861	-	-	249,861	302,263
Accrued payroll and related expenses	498,335	-	-	498,335	488,927
Other accrued expenses	5,492	-	-	5,492	5,010
Notes payable, net unamortized debt issuance costs	4,565,284	-	-	4,565,284	3,028,570
Capital lease payable	1,458	-	-	1,458	7,251
Note payable to temporarily and permanently restricted net assets	2,710,221	-	-	2,710,221	2,796,009
Total liabilities	<u>8,370,553</u>	<u>-</u>	<u>-</u>	<u>8,370,553</u>	<u>6,915,029</u>
<b>Net Assets</b>					
<b>Unrestricted</b>					
Undesignated	(221,892)	-	-	(221,892)	(490,873)
<b>Designated</b>					
Property and equipment, net of related debt	9,832,284	-	-	9,832,284	9,751,478
<b>Board designated endowment for:</b>					
Alpine Academy II	439,952	-	-	439,952	439,953
Families First	23,797	-	-	23,797	24,075
<b>Temporarily restricted</b>					
CPAF earnings for Families First	-	162,420	-	162,420	164,869
Scholarship	-	60,808	-	60,808	54,774
Alpine Academy	-	79,976	-	79,976	53,750
Smarter Parenting	-	156,723	-	156,723	195,172
Other	-	70,940	-	70,940	20,119
<b>Permanently restricted</b>					
Children's Perpetual Assistance Fund	-	-	5,150,618	5,150,618	5,119,778
Total net assets	<u>10,074,141</u>	<u>530,867</u>	<u>5,150,618</u>	<u>15,755,626</u>	<u>15,333,095</u>
	<u>\$ 18,444,694</u>	<u>\$ 530,867</u>	<u>\$ 5,150,618</u>	<u>\$ 24,126,179</u>	<u>\$ 22,248,124</u>

Utah Youth Village, Inc.

Statement of Activities

Year Ended June 30, 2018

(With summarized financial information for the year ended June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Public Support</b>					
Contributions	\$ 651,452	\$ 342,801	\$ -	\$ 994,253	\$ 1,934,522
<b>Revenues</b>					
Utah Department of Human Services	3,227,558	-	-	3,227,558	3,462,511
Other agencies and organizations	5,757,518	-	-	5,757,518	6,274,689
Private placement	4,619,064	-	-	4,619,064	3,518,597
Change in fair value of charitable trust held by others	-	-	30,840	30,840	92,520
Gain on sale of property and equipment	20,738	-	-	20,738	111
Unrealized loss on investments	(20)	-	-	(20)	(21)
Interest income	38,391	165,426	-	203,817	201,279
Other income	7,310	-	-	7,310	6,585
Gross special events revenue	14,000	-	-	14,000	-
Less cost of direct benefits to donors	(13,357)	-	-	(13,357)	-
Net special events revenue	643	-	-	643	-
Total revenues	13,671,202	165,426	30,840	13,867,468	13,556,271
Net assets released from restrictions	466,044	(466,044)	-	-	-
Total public support and revenues	14,788,698	42,183	30,840	14,861,721	15,490,793
<b>Expenses and Losses</b>					
Program services expense					
Residential Treatment Centers					
Lila Home	356,780	-	-	356,780	337,748
Kearns Home	364,130	-	-	364,130	339,165
Sorenson Home	381,166	-	-	381,166	392,311
West Jordan Home	370,480	-	-	370,480	328,931
Raymond Home	375,278	-	-	375,278	395,488
Alpine Academy - Gene Smith Home	1,032,876	-	-	1,032,876	985,140
Alpine Academy - Pine Canyon	997,096	-	-	997,096	942,143
Alpine Academy - Willow Creek	1,014,077	-	-	1,014,077	967,304
Alpine Academy - Oakridge	961,179	-	-	961,179	946,021
Alpine Academy - Cottonwood Grove	1,013,726	-	-	1,013,726	986,977
Alpine Academy - Mountain Birch	1,113,307	-	-	1,113,307	1,088,331
Alpine Academy - Aspire	1,040,599	-	-	1,040,599	959,814
Transitions	1,445,477	-	-	1,445,477	1,673,697
Families First	2,215,296	-	-	2,215,296	1,947,137
Youth Village Academy	-	-	-	-	479,105
Child Issues	5,642	-	-	5,642	12,516
Smarter Parenting	405,619	-	-	405,619	484,611
Total program expenses	13,092,728	-	-	13,092,728	13,266,439
Supporting services expense					
Management and general	1,051,575	-	-	1,051,575	1,166,864
Fundraising and development	294,887	-	-	294,887	276,314
Total supporting services expenses	1,346,462	-	-	1,346,462	1,443,178
Total expenses and losses	14,439,190	-	-	14,439,190	14,709,617
Change in Net Assets	349,508	42,183	30,840	422,531	781,176
Net Assets, Beginning of Year	9,724,633	488,684	5,119,778	15,333,095	14,551,919
Net Assets, End of Year	\$ 10,074,141	\$ 530,867	\$ 5,150,618	\$ 15,755,626	\$ 15,333,095

See Notes to Financial Statements

**Utah Youth Village, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**  
**(With summarized financial information for the year ended June 30, 2017)**

	Program Services											
	Lila Home	Kearns Home	Sorenson Home	West Jordan Home	Raymond Home	Gene Smith Home	Pine Canyon	Willow Creek	Oakridge	Cottonwood Grove	Mountain Birch	Aspire
Salaries and wages	\$ 196,060	\$ 208,710	\$ 208,880	\$ 208,524	\$ 202,398	\$ 522,879	\$ 506,879	\$ 511,477	\$ 481,146	\$ 504,306	\$ 530,682	\$ 506,721
Employee benefits	33,892	35,293	33,482	39,482	49,580	104,425	90,942	109,980	87,188	103,008	120,976	101,077
Payroll taxes	17,687	22,951	23,084	22,892	17,303	42,714	44,467	46,038	42,891	44,368	46,484	44,874
Professional fees	43	42	43	42	42	38,055	32,960	41,137	38,249	35,563	36,378	33,088
Payments to treatment parents	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	6,190	4,320	4,552	4,873	4,492	21,050	21,567	20,404	20,471	18,387	20,649	20,799
Youth reinforcers	5,522	5,313	7,614	6,000	5,265	5,266	4,135	9,040	5,518	5,142	6,682	12,879
Youth travel	24	2	14	63	21	261	610	200	213	179	374	652
Youth entertainment	2,629	2,392	1,750	1,323	2,277	5,013	5,302	5,598	4,722	4,883	5,814	5,115
Food	19,279	20,557	19,431	14,942	17,682	44,524	46,787	44,639	44,838	46,439	50,890	44,039
Conferences and workshops	695	733	789	734	1,330	8,196	7,124	7,406	6,841	7,124	8,709	7,913
Vehicle and travel	11,879	7,097	9,501	10,981	9,134	25,223	21,457	21,347	20,970	20,155	20,477	21,893
Printing and publications	115	60	115	115	115	2,065	2,086	2,056	2,255	2,115	2,262	2,042
Telephone	2,454	3,221	2,159	2,970	3,270	7,388	7,570	7,391	7,128	7,063	7,394	7,103
Utilities	8,808	9,342	6,431	6,376	7,102	11,491	11,197	12,110	12,458	13,090	11,685	9,660
Purchase of small equipment	3,016	2,758	4,286	1,859	2,424	9,512	10,757	10,540	10,372	10,210	9,404	10,857
Building and equipment maintenance	9,116	9,358	8,260	6,832	6,976	18,629	15,684	17,186	15,117	21,532	13,478	12,832
Building lease	3,403	5,104	4,537	3,119	3,686	-	-	-	-	-	-	-
Insurance	12,947	13,524	13,568	13,124	13,351	38,750	40,023	41,448	41,480	40,762	39,309	39,522
Postage	101	76	161	73	143	798	832	1,081	1,010	1,029	851	914
Bank charges	(98)	62	52	(21)	15	543	566	546	612	593	2,520	1,846
Advertising	1,083	620	343	238	949	2,628	2,396	2,425	2,763	2,387	2,382	2,589
Interest	-	-	-	-	-	38,447	38,447	38,447	40,702	40,702	81,837	67,092
Grants and awards	-	-	-	-	-	648	648	648	648	648	648	640
Bad debts (recoveries)	(382)	(3,927)	428	-	410	9,882	-	-	3,845	2,000	(10,026)	1,430
Dues, fees and licenses	1,983	2,101	1,602	1,630	1,760	3,409	3,409	3,449	3,418	3,418	3,418	3,428
Depreciation of buildings and equipment	20,334	14,421	30,084	24,309	25,533	80,548	71,369	68,484	66,324	78,623	100,030	81,594
<b>Total expenses by function</b>	<b>356,780</b>	<b>364,130</b>	<b>381,166</b>	<b>370,480</b>	<b>375,278</b>	<b>1,032,876</b>	<b>997,096</b>	<b>1,014,077</b>	<b>961,179</b>	<b>1,013,726</b>	<b>1,113,307</b>	<b>1,040,599</b>
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	-	-	-	-	-	-
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 356,780</b>	<b>\$ 364,130</b>	<b>\$ 381,166</b>	<b>\$ 370,480</b>	<b>\$ 375,278</b>	<b>\$ 1,032,876</b>	<b>\$ 997,096</b>	<b>\$ 1,014,077</b>	<b>\$ 961,179</b>	<b>\$ 1,013,726</b>	<b>\$ 1,113,307</b>	<b>\$ 1,040,599</b>

See Notes to Financial Statements



**Utah Youth Village, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2018**  
**(With summarized financial information for the year ended June 30, 2017)**

	Program Services				Supporting Services				2017 Total Expenses
	Transitions	Families First	Child Issues	Smarter Parenting	Total	Management and General	Fundraising and Development	Total	
Salaries and wages	\$ 415,211	\$ 1,362,453	\$ 1,114	\$ 178,854	\$ 6,546,294	\$ 676,457	\$ 148,156	\$ 824,613	\$ 7,370,907
Employee benefits	93,897	352,065	282	53,020	1,399,589	116,078	28,338	144,616	1,516,822
Payroll taxes	35,537	115,763	-	14,094	581,147	50,513	11,202	61,715	642,862
Professional fees	23,049	2,034	-	28,595	309,320	86,859	37,901	124,760	455,009
Payments to treatment parents	735,703	-	-	956	735,703	-	-	-	735,703
Supplies	2,181	8,764	76	956	179,731	1,500	7,472	8,972	188,703
Youth reinforcers	2,416	1,818	-	-	82,610	-	1,200	1,200	83,810
Youth travel	-	-	-	-	2,613	-	-	-	2,613
Youth entertainment	148	890	-	-	47,856	-	-	-	47,856
Food	6,561	17,535	36	499	438,678	3,059	18,676	21,735	460,413
Conferences and workshops	4,566	4,882	529	5,951	73,522	2,086	883	2,969	76,491
Vehicle and travel	31,325	186,188	2,673	3,926	424,426	9,633	11,420	21,053	445,479
Printing and publications	464	2,266	92	363	18,586	1,252	9,563	10,815	29,401
Telephone	7,983	30,664	8	4,510	107,376	6,090	1,563	7,653	115,029
Utilities	4,164	3,833	199	1,683	129,629	6,486	1,386	7,872	137,501
Purchase of small equipment	13,158	14,004	-	8,231	121,388	10,850	16,938	27,788	149,176
Building and equipment maintenance	4,814	5,747	220	1,880	167,661	7,230	1,564	8,794	176,455
Building lease	12,130	21,414	-	-	53,393	-	-	-	53,393
Insurance	33,373	28,304	-	2,324	412,209	25,572	2,290	27,862	440,071
Postage	385	802	-	194	8,450	1,169	3,321	4,490	12,940
Bank charges	-	-	-	-	7,236	17,064	-	17,064	24,300
Advertising	2,894	32	-	93,163	116,892	106	1,901	2,007	118,899
Interest	-	-	-	-	345,674	8,426	50	8,476	354,150
Grants and awards	4,990	5,798	-	-	15,316	82	82	164	15,480
Bad debts (recoveries)	(2,654)	37,982	-	-	39,402	399	-	399	39,801
Dues, fees and licenses	3,354	920	-	6	37,305	856	904	1,760	39,065
Depreciation of buildings and equipment	10,328	11,138	413	7,170	690,722	19,808	3,234	23,042	713,764
<b>Total expenses by function</b>	<b>1,445,477</b>	<b>2,215,296</b>	<b>5,642</b>	<b>405,619</b>	<b>13,092,728</b>	<b>1,051,575</b>	<b>308,244</b>	<b>1,359,819</b>	<b>14,452,547</b>
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	(13,357)	(13,357)	-
<b>Cost of direct benefits to donors</b>	<b>\$ 1,445,477</b>	<b>\$ 2,215,296</b>	<b>\$ 5,642</b>	<b>\$ 405,619</b>	<b>\$ 13,092,728</b>	<b>\$ 1,051,575</b>	<b>\$ 294,887</b>	<b>\$ 1,346,462</b>	<b>\$ 14,439,190</b>
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,445,477</b>	<b>\$ 2,215,296</b>	<b>\$ 5,642</b>	<b>\$ 405,619</b>	<b>\$ 13,092,728</b>	<b>\$ 1,051,575</b>	<b>\$ 294,887</b>	<b>\$ 1,346,462</b>	<b>\$ 14,439,190</b>
									<b>\$ 14,709,617</b>

See Notes to Financial Statements

## Utah Youth Village, Inc.

## Statement of Cash Flows

Years Ended June 30, 2018

(With summarized financial information for the year ended June 30, 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 422,531	\$ 781,176
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	713,764	696,013
Gain on sale of property and equipment	(20,738)	-
Unrealized loss on investments	20	21
Change in fair value of charitable trust held by others	(30,840)	(92,520)
In-kind donation of property held for future sale and development	-	(730,000)
Changes in operating assets and liabilities		
Accounts receivable, net	133,853	(183,300)
Promises to give	35,000	21,894
Other receivables	1,660	9,351
Prepaid expenses	(33,544)	1,365
Other assets	5,341	2,671
Accounts payable	52,903	32,252
Unearned revenue	(52,402)	75,413
Accrued payroll and related expenses	9,408	48,933
Other accrued expenses	482	(6,589)
Net Cash from Operating Activities	<u>1,237,438</u>	<u>656,680</u>
Cash Flows from Investing Activities		
Proceeds from sales of property and equipment	20,738	-
Purchase of property held for future development and sale	(2,031,844)	(1,439,781)
Purchases of property and equipment	(293,647)	(195,913)
Net Cash used for Investing Activities	<u>(2,304,753)</u>	<u>(1,635,694)</u>
Cash Flows from Financing Activities		
Payment of capital lease	(5,793)	(5,753)
Payments of debt issuance costs	(27,839)	-
Proceeds from note payable	1,722,264	-
Principal payments of note payable	(157,711)	(116,559)
Net Cash from (used for) Financing Activities	<u>1,530,921</u>	<u>(122,312)</u>
Net Change in Cash and Cash Equivalents	463,606	(1,101,326)
Cash and Cash Equivalents, Beginning of Year	<u>2,692,501</u>	<u>3,793,827</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,156,107</u>	<u>\$ 2,692,501</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest to third parties	<u>\$ 169,156</u>	<u>\$ 162,441</u>

## Note 1 - Principal Activity and Significant Accounting Policies

### Organization and Nature of Operations

Utah Youth Village, Inc. (Utah Youth Village) is a Utah nonprofit corporation whose mission is to change and improve the behavior of troubled children and families.

Through support from governmental contracts, private placements and donations, Utah Youth Village provides the following services and treatment facilities:

- Five group homes and approximately 40 Transitions treatment foster homes for children ages 2 to 18 referred by the Utah State Division of Child and Family Services, State Division of Juvenile Justice Services and other agencies. The children and youth are wards of the state and are referred to Utah Youth Village because the abuse and neglect they have endured have left them unable to succeed in a less therapy-intensive placement or they need a placement where their behavior can be normalized after prolonged placement in a psychiatric hospital or their dangerous and anti-social behavior require specialized treatment.
- Alpine Academy is a residential treatment facility and junior/senior high school for 70 troubled teenage girls from across the country. It is located in Tooele County about 40 miles west of Salt Lake City. It has earned National Association of Therapeutic Schools and Programs (NATSAP) Research Designation and has been endorsed by the federal Substance Abuse and Mental Health Services Administration's (SAMHSA) National Registry of Evidence-based Programs (NREPP).
- Families First is a state-unique, state-wide intensive in-home program that teaches parents skills to normalize their children's behaviors. Families First prevents out-of home placement in foster care, detention and psychiatric facilities.
- Transitions treatment foster homes for unaccompanied refugee minors from war-torn countries throughout the world, referred through the Catholic Community Services.
- Smarter Parenting, an in-depth website offering proven and effective parenting skills to the public at no cost.
- Higher education scholarships for Utah Youth Village graduates funded by donations.
- Youth Village Academy, a remedial junior and senior high school that prepares foster youth to return to public school. This program was discontinued in 2017.
- Adoption preservation.
- Advocacy for foster children to the State of Utah.

All treatment is based on the highly-researched, humane and effective Teaching-Family Model, which delivers therapy through surrogate parents in a home-like setting rather than through therapists alone in a dormitory or medical-model setting.

Utah Youth Village administers the Children's Perpetual Assistance Fund (CPAF), an endowment established to generate funds to support the Families First Program. The principal amount of contributions to the CPAF is maintained in perpetuity, while the earnings are used for the Families First Program.

The financial statements include all of the accounts of Utah Youth Village, and all of its program locations. Utah Youth Village follows generally accepted accounting principles for voluntary health and welfare organizations. The following is a summary of significant accounting policies.

### **Financial Statement Presentation**

Utah Youth Village reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Utah Youth Village presents a statement of cash flows without separation by classes of net assets. Intra-Organization cash flows have been eliminated in the presentation of the statement of cash flows.

### **Summarized Comparative Financial Information**

The accompanying financial statements include certain summarized financial information as of June 30, 2017 and for the year then ended in total but not by net asset class. Such information does not include sufficient detail or disclosures to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Utah Youth Village's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

### **Cash and Cash Equivalents**

Utah Youth Village considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

### **Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due from the Utah Department of Human Services, the State of Utah Third and Fourth District Juvenile Courts, individuals, third party payers and other contract sources. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018 the allowance was \$85,000.

### **Promises to Give**

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018, Utah Youth Village had not recorded an allowance because all promises to give were deemed collectible.

### **Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Utah Youth Village reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2018.

### **Beneficial Interests in Charitable Trust Held by Others**

Utah Youth Village has been named as an irrevocable beneficiary of a charitable trust held and administered by independent trustees. This trust was created independently by donors and is administered by outside agents designated by the donors. Therefore, Utah Youth Village has neither possession nor control over the assets of the trusts. At the date Utah Youth Village receives notice of a beneficial interest, a temporarily or permanently restricted contribution is recorded in the statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, temporarily restricted net assets are released to unrestricted net assets; permanently restricted net assets are transferred to the endowment. The increase in the fair value of Utah Youth Village's beneficial interest in the trust for the year ended June 30, 2018 was \$30,840.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

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

*Unrestricted Net Assets* -- Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and quasi-endowment.

Certain unrestricted net assets have been designated by Utah Youth Village's Board of Trustees for various purposes. These designations include the investment of net assets in property and equipment, net of related debt. These net assets therefore cannot be used for payment of program expenses. Net assets have also been designated for an endowment, the income from which may be used to support programs, but until the designation is changed, the net assets in the endowment may not be used for payment of program expenses. The board has also designated certain net assets for the CPAF and the Families First Program.

*Temporarily Restricted Net Assets* -- Net assets subject to donor restrictions that may or will be met by expenditures or actions of Utah Youth Village, Inc. and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by Utah Youth Village's Board of Directors.

Utah Youth Village reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets consist of donations received with stipulations that they be used in support of the Alpine Academy, Families First, scholarships, and other programs. Temporarily restricted net assets include interest earned on the note receivable from the Alpine Academy by the permanently restricted CPAF.

*Permanently Restricted Net Assets* -- Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Utah Youth Village. The restrictions stipulate that resources be maintained permanently but permit Utah Youth Village to expend the income generated in accordance with the provisions of the agreements.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Advertising Costs**

Advertising costs are expensed as incurred, and were \$118,899 during the year ended June 30, 2018.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Fund Raising Costs**

Utah Youth Village allocates joint costs among fund raising and support and program services if certain criteria are met. During the year ended June 30, 2018, Utah Youth Village did not incur any joint costs.

### **Income Taxes**

Utah Youth Village is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. Utah Youth Village is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Utah Youth Village is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Utah Youth Village has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Utah Youth Village believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Utah Youth Village would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

### **Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to Utah Youth Village's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. During the year ended June 30, 2018, Utah Youth Village recognized \$103,394 of in-kind contribution revenue related to the donation of services and assets.

### **Financial Instruments and Credit Risk**

Utah Youth Village manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Utah Youth Village has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of Utah Youth Village's mission. Investments are made by management whose performance is monitored by the Executive Committee of the Board of Directors.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of Utah Youth Village.

## Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net income or stockholders' equity.

## Recent Accounting Guidance

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The issuance and resulting application of this guidance will result in major changes in the financial reporting for leasing arrangements, particularly for lessees, as significantly more leasing arrangements will be reported on the balance sheets of lessees. In general, all leases greater than 12 months will be required to be reported as an asset and liability on the balance sheet. The income statement treatment will be dependent on whether the lease is considered a *financing* lease or an *operating* lease. This standard will be effective for fiscal years beginning after December 15, 2019. This would be the 2021 fiscal year for Utah Youth Village.

The FASB issued ASU 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities* during August 2016, which modifies the presentation and disclosure requirements of not-for-profit entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Organization's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses. The ASU is effective for the year ending June 30, 2019.

## Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Utah Youth Village can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.



Level 3 – Unobservable inputs for the asset or liability. In these situations, Utah Youth Village develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Utah Youth Village’s assessment of the quality, risk or liquidity profile of the asset or liability.

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in charitable trust held by others	\$ 2,325,332	\$ -	\$ -	\$ 2,325,332
Investments	40	40	-	-
	\$ 2,325,372	\$ 40	\$ -	\$ 2,325,332

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

Balance at June 30, 2017	\$ 2,294,492
Change in fair value of charitable trust held by others	30,840
Balance at June 30, 2018	\$ 2,325,332

### Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2018:

Within one year	\$ 68,750
In one to five years	25,000
	\$ 93,750

At June 30, 2018, two donors accounted for 80% of total promises to give. One contributor accounted for approximately 13% of total contribution revenue for the year ended June 30, 2018.

Promises to give have been distinguished between contributions received for each net asset class in accordance with donor-imposed restrictions. Utah Youth Village's policy is to discount promises to give that will be received in more than one year to their present value using applicable discount rates.

**Note 4 - Other Receivables**

At June 30, 2018, Utah Youth Village had other receivables which included the following:

Sales tax receivable	\$ 9,581
Deposits	<u>1,302</u>
 Total	 <u><u>\$ 10,883</u></u>

**Note 5 - Children's Perpetual Assistance Fund, Note Receivable and Note Payable**

As described in Note 1, Utah Youth Village's endowment consists of funds established by donors to provide annual funding for the Children's Perpetual Assistance Fund (CPAF), wherein the earnings of CPAF are required to be used for the operation of the Families First Program. CPAF also includes certain unrestricted net assets designated for endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Utah Youth Village's Board of Directors has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2018, there were no such donor stipulations. As a result of this interpretation, Utah Youth Village classifies as permanently restricted net assets (a) the original value of gifts donated to CPAF, (b) the original value of subsequent gifts donated to CPAF (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to CPAF 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 is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Utah Youth Village in a manner consistent with the standard of prudence prescribed by UPMIFA. Utah Youth Village considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2018, Utah Youth Village had the following endowment net asset composition by net asset type:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment	\$ 463,749	\$ -	\$ -	\$ 463,749
Donor-restricted endowment	-	162,420	5,150,618	5,313,038
	<u>\$ 463,749</u>	<u>\$ 162,420</u>	<u>\$ 5,150,618</u>	<u>\$ 5,776,787</u>

### Investment and Policies

Utah Youth Village has adopted investment and spending policies for CPAF that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of CPAF assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of CPAF assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing CPAF investments. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek maintenance of principal over time. Utah Youth Village considers the earnings available for use in the Families First Program each year. In establishing this policy, Utah Youth Village considered the long-term expected return on the CPAF, and set the rate with the objective of maintaining the purchasing power of CPAF over time.

Changes in CPAF net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CPAF net assets, beginning of year	\$ 464,028	\$ 164,869	\$ 5,119,778	\$ 5,748,675
Investment return				
Interest	23,796	165,426	-	189,222
Change in fair value of charitable trust held by others	-	-	30,840	30,840
	<u>23,796</u>	<u>165,426</u>	<u>30,840</u>	<u>220,062</u>
Contributions	-	-	-	-
Distributions				
Appropriation of endowment assets pursuant to spending policy	(24,075)	(167,875)	-	(191,950)
CPAF net assets, end of year	<u>\$ 463,749</u>	<u>\$ 162,420</u>	<u>\$ 5,150,618</u>	<u>\$ 5,776,787</u>

During the year ended June 30, 2004, Utah Youth Village received an initial donation of \$2,248,217 for the CPAF. Utah Youth Village subsequently obtained verbal agreement and approval from the donor's family to invest the proceeds from the donation in the Alpine Academy real estate, which is an unrestricted asset of Utah Youth Village. This agreement has allowed Utah Youth Village to fund a substantial portion of the purchase and

construction of the Alpine Academy. Under the terms of the loan agreement between Utah Youth Village's unrestricted net assets and CPAF, Utah Youth Village is obligated to use unrestricted net assets to repay the amount borrowed from the permanently restricted endowment fund plus interest at 6% over the 30-year term of the loan. This transaction was designed to ensure the principal amount of the donation is invested to benefit the Families First Program as stipulated by the donor under the terms of the CPAF. Accordingly, interest income on the amount borrowed can be used only in the Families First Program. Interest paid from unrestricted net assets is recognized in investment return on temporarily restricted net assets. The principal amount borrowed to construct a portion of the Alpine Academy is being paid from unrestricted net assets to permanently restricted net assets of Utah Youth Village.

During the year ended June 30, 2017, Utah Youth Village consulted donors who had made contributions to the CPAF and scholarships funds and obtained verbal agreements to enter into an agreement like that described in the paragraph above. As a result, an additional \$549,887 of temporarily and permanently restricted net assets were invested in the Alpine Academy. Under the terms of the loan agreement between Utah Youth Village's unrestricted net assets and CPAF, Utah Youth Village is obligated to use unrestricted net assets to repay the amount borrowed from the permanently restricted endowment fund plus interest at 6% over the 30-year term of the loan. This transaction was designed to ensure the principal amount of the donations are invested to benefit the CPAF and Scholarship programs, as originally intended by the donors. Accordingly, interest income on the amount borrowed will be used only in the Families First and Scholarship Programs. Interest paid from unrestricted net assets is recognized in investment return on temporarily restricted net assets. The principal amount borrowed to construct a portion of the Alpine Academy II is being paid from unrestricted net assets to permanently restricted net assets of Utah Youth Village.

The balance of the note payable by the unrestricted net assets and the note receivable by the permanently restricted net assets as of June 30, 2018, and changes during the year then ended were as follows:

Balance as of June 30, 2017	\$ 2,796,009
Additional loans made	-
Principal payments from unrestricted net assets	<u>(85,788)</u>
Balance as of June 30, 2018	<u>\$ 2,710,221</u>

Future changes in the balance of the note payable by the unrestricted net assets and the note receivable by the permanently restricted net assets and the related future interest are reflected in the following table:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 91,079	\$ 160,136	\$ 251,215
2020	96,697	154,518	251,215
2021	102,662	148,553	251,215
2022	108,993	142,222	251,215
2023	115,716	135,499	251,215
Thereafter	<u>2,195,074</u>	<u>1,046,338</u>	<u>3,241,412</u>
	<u>\$ 2,710,221</u>	<u>\$ 1,787,266</u>	<u>\$ 4,497,487</u>

**Note 6 - Property and Equipment**

Property and equipment consists of the following at June 30, 2018:

Land	\$ 1,413,409
Buildings and improvements	13,497,944
Development costs	434,169
Furniture, fixtures, and equipment	1,407,503
Vehicles	831,120
	17,584,145
Less accumulated depreciation and amortization	(7,386,744)
	\$ 10,197,401

**Note 7 - Notes Payable**

Notes payable consist of the following at June 30, 2018:

Note payable to a bank; interest rate based on 7-year LIBOR plus 2.9% (5.100% as of June 30, 2018); monthly payments of \$33,479, with a final balloon payment of \$3,830,140 due January 1, 2025. Net of unamortized debt issuance costs of \$27,839 with effective interest rate of 5.1%.	\$ 4,565,284
	\$ 4,565,284

Future maturities of notes payable are as follows:

Years Ending June 30,	
2019	\$ 171,435
2020	180,386
2021	189,804
2022	199,713
2023	210,140
Thereafter	3,641,646
Unamortized debt issuance costs	(27,840)
	\$ 4,565,284

Subsequent to year end Utah Youth Village's letter of credit to help fund the development of Alpine Academy II was amended to \$32,913. This expires in August 2019.

**Note 8 - Leases**

Utah Youth Village leases office space under various operating leases, and equipment under a capital lease expiring at various dates through 2022.

Future minimum lease payments are as follows:

Years Ending June 30,	Capital Leases	Operating Leases
2019	\$ 1,459	\$ 40,830
2020	-	42,060
2021	-	43,326
2022	-	44,628
2023	-	24,374
	1,459	\$ 195,218
Total minimum lease payments		
Less amount representing interest	(1)	
Capital lease obligation	\$ 1,458	

Rent expense for the year ended June 30, 2018 totaled \$53,393.

Leased property under capital leases at June 30, 2018 includes:

Equipment	\$ 28,619
Less accumulated amortization	(27,187)
	\$ 1,432

**Note 9 - Contract Revenue**

Utah Youth Village has contracts with the Utah Department of Human Services, the State of Utah Judicial branch and various other mental health agencies including agencies and school districts from other states. These contracts are for the purpose of providing residential, mental health and educational services, training and consultation to Therapeutic Foster Homes and intervention directly for troubled youth and their families. A majority of the contracts designate Utah Youth Village as a service provider allowing for reimbursement of expenses related to providing the services under the contracts.

**Note 10 - Economic Dependency**

During the year ended June 30, 2018 Utah Youth Village received approximately 60%, of its revenue from governmental grants and service contracts. Utah Youth Village has been and is continuing to seek new sources of funding to support its programs and activities. The loss of support from any major source of funds could have an adverse effect on Utah Youth Village's programs and activities.

**Note 11 - Employee Benefits**

Utah Youth Village has a profit sharing plan (the Plan) under which it contributes 3% of eligible employees' compensation to the Plan. In addition, Utah Youth Village may contribute an additional amount determined by Utah Youth Village at its sole discretion. The employer contribution under these plans for the year ended June 30, 2018 was \$476,387 which is included in employee benefits in the statement of functional expenses.

**Note 12 - Related Party Transactions**

During the year ended June 30, 2018, Utah Youth Village purchased website design and online marketing services totaling \$43,575, from companies owned by family members of the Executive Director.

**Note 13 - Subsequent Events**

Subsequent events have been evaluated through September 20, 2018, the date the financial statements were available to be issued. Subsequent to year end the Utah Youth Village sold property and improvements held for future development and sale for approximately \$900,000, net of related selling costs. In addition, Utah Youth Village has additional lots under contract to be sold subsequent to year end.