



Financial Statements
June 30, 2014

Utah Youth Village, Inc.

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Independent Auditor's Report

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, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of Utah Youth Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing Utah Youth Village, Inc.'s internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
October 30, 2014

Utah Youth Village, Inc.
Statement of Financial Position
June 30, 2014
(With comparative totals for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013
Assets					
Cash and cash equivalents	\$ 3,107,799	\$ 210,549	\$ 363,394	\$ 3,681,742	\$ 3,401,467
Investments	-	100	-	100	120
Accounts receivable, net	1,388,112	-	-	1,388,112	1,400,617
Other receivables	15,364	-	-	15,364	14,494
Beneficial interest in charitable trust held by others	-	-	2,097,116	2,097,116	2,097,116
Promises to give	29,146	90,000	-	119,146	140,789
Prepaid expenses	154,682	-	-	154,682	167,140
Deferred loan costs	19,926	-	-	19,926	8,280
Note receivable from unrestricted net assets	-	-	2,461,892	2,461,892	2,523,801
Property and equipment, net	11,379,128	-	-	11,379,128	9,937,915
Total assets	\$ 16,094,157	\$ 300,649	\$ 4,922,402	\$ 21,317,208	\$ 19,691,739
Liabilities and Net Assets					
Accounts payable	\$ 619,083	\$ -	\$ -	\$ 619,083	\$ 330,316
Unearned revenues	243,159	-	-	243,159	166,165
Accrued payroll and related expenses	556,574	-	-	556,574	571,665
Other accrued expenses	18,578	-	-	18,578	2,046
Notes payable	2,491,859	-	-	2,491,859	1,618,116
Capital lease payable	24,388	-	-	24,388	-
Note payable to permanently restricted net assets	2,461,892	-	-	2,461,892	2,523,801
Total liabilities	6,415,533	-	-	6,415,533	5,212,109
Net Assets					
Unrestricted					
Undesignated	2,539,034	-	-	2,539,034	2,377,283
Designated:					
Property and equipment, net of related debt	6,400,989	-	-	6,400,989	5,795,998
Endowment	365,908	-	-	365,908	365,340
Children's Perpetual Assistance Fund	72,693	-	-	72,693	72,601
Families First	300,000	-	-	300,000	300,000
Temporarily restricted					
Children's Perpetual Assistance Fund	-	149,744	-	149,744	266,117
Scholarship	-	39,867	-	39,867	33,819
Alpine Academy	-	90,000	-	90,000	325,000
Other	-	21,038	-	21,038	21,070
Permanently restricted					
Children's Perpetual Assistance Fund	-	-	4,922,402	4,922,402	4,922,402
Total net assets	9,678,624	300,649	4,922,402	14,901,675	14,479,630
Total liabilities and net assets	\$ 16,094,157	\$ 300,649	\$ 4,922,402	\$ 21,317,208	\$ 19,691,739

Utah Youth Village, Inc.
Statement of Activities
Year Ended June 30, 2014
(With comparative totals for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013
Public Support					
Contributions	\$ 636,485	\$ 601,600	\$ -	\$ 1,238,085	\$ 974,775
Revenues					
Utah Department of Human Services	3,851,914	-	-	3,851,914	3,694,691
Other agencies and organizations	4,816,762	-	-	4,816,762	5,283,224
Private placement	3,391,544	-	-	3,391,544	3,006,750
Change in fair value of charitable trust held by others	-	-	-	-	55,511
Gain (Loss) on sale of property and equipment	(2,586)	-	-	(2,586)	31,352
Interest income	8,498	149,744	-	158,242	161,702
Gross special events revenue	14,280	-	-	14,280	7,014
Less cost of direct benefits to donors	(11,350)	-	-	(11,350)	(9,691)
Net special events revenue	2,930	-	-	2,930	(2,677)
Total Revenues	12,069,062	149,744	-	12,218,806	12,230,553
Net assets released from restrictions	1,096,701	(1,096,701)	-	-	-
Total public support and revenues	13,802,248	(345,357)	-	13,456,891	13,205,328
Expenses and Losses					
Program services expense					
Residential Treatment Centers					
North Kearns	216,473	-	-	216,473	344,829
South Kearns	372,229	-	-	372,229	337,260
Sorenson Home	323,158	-	-	323,158	371,467
West Jordan Homme	322,595	-	-	322,595	354,451
Raymond Home	368,107	-	-	368,107	388,708
Alpine Academy - Gene Smith Home	989,700	-	-	989,700	954,557
Alpine Academy - Pine Canyon	943,591	-	-	943,591	1,178,434
Alpine Academy - Willow Creek	965,794	-	-	965,794	957,625
Alpine Academy - Oakridge	988,791	-	-	988,791	960,119
Alpine Academy - Cottonwood Grove	948,419	-	-	948,419	972,506
Alpine Academy - Mountain Birch	142,390	-	-	142,390	466,772
Alpine Academy - Aspire	461,091	-	-	461,091	-
Transitions	2,196,495	-	-	2,196,495	2,256,190
Families First	1,550,682	-	-	1,550,682	1,396,570
Youth Village Academy	596,541	-	-	596,541	607,190
Parenting and Child Issues	320,565	-	-	320,565	99,614
Total program expenses	11,706,621	-	-	11,706,621	11,646,292
Supporting services expense					
Management and general	969,945	-	-	969,945	960,773
Fundraising and development	358,280	-	-	358,280	288,646
Total supporting services expenses	1,328,225	-	-	1,328,225	1,249,419
Total expenses and losses	13,034,846	-	-	13,034,846	12,895,711
Change in Net Assets	767,402	(345,357)	-	422,045	309,617
Net Assets, Beginning of Year	8,911,222	646,006	4,922,402	14,479,630	14,170,013
Net Assets, End of Year	\$ 9,678,624	\$ 300,649	\$ 4,922,402	\$ 14,901,675	\$ 14,479,630

See Notes to Financial Statements

Utah Youth Village, Inc.
Statement of Functional Expenses
Year Ended June 30, 2014
(With comparative totals for 2013)

	Program Services											
	North Kearns	South Kearns	Sorenson Home	West Jordan Home	Raymond Home	Alpine Academy						
						Gene Smith Home	Pine Canyon	Willow Creek	Oakridge	Cottonwood Grove	Mountain Birch	Aspire
Salaries and wages	\$ 112,462	\$ 212,987	\$ 184,298	\$ 179,025	\$ 197,065	\$ 493,962	\$ 467,464	\$ 489,685	\$ 509,904	\$ 481,619	\$ 20,730	\$ 256,872
Employee benefits	10,740	39,434	28,193	28,476	32,829	89,576	81,332	81,558	87,671	75,099	9,373	39,313
Payroll taxes	10,524	17,916	15,216	14,693	14,812	40,824	38,548	45,557	42,367	40,883	1,875	21,093
Professional fees	2,338	2,159	5	143	96	35,916	34,818	34,211	32,967	33,604	765	11,879
Payments to treatment parents	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	2,512	4,417	4,056	6,725	6,889	16,964	16,888	16,543	16,645	16,628	913	6,825
Youth reinforcers	3,657	6,407	5,331	5,992	7,891	5,603	4,285	5,712	5,099	5,637	466	16,735
Youth travel	11	31	14	16	10	906	656	739	449	1,121	2	3,762
Youth entertainment	537	1,594	1,166	1,285	1,755	4,438	4,599	4,751	4,552	2,403	208	1,532
Food	10,479	21,331	15,556	18,221	20,006	37,213	37,284	35,256	39,580	40,078	1,820	7,668
Conferences and workshops	1,592	1,696	1,045	1,042	1,060	22,604	22,445	23,100	22,839	23,194	652	11,272
Vehicle and travel	6,506	7,589	8,941	9,319	16,080	14,033	14,102	15,121	13,573	15,021	918	8,507
Printing and publications	110	132	114	97	135	2,982	3,013	3,025	3,002	2,982	237	1,568
Telephone	2,921	3,139	3,495	2,787	3,484	7,527	7,567	7,533	7,720	7,527	1,139	4,674
Utilities	7,825	8,086	5,013	6,375	8,172	14,016	12,047	13,821	13,912	13,346	3,741	4,552
Purchase of small equipment	2,749	2,481	3,547	4,838	4,803	12,714	10,353	10,647	9,470	9,094	9,953	6,503
Building and equipment maintenance	4,956	3,630	5,513	3,688	10,867	20,097	35,105	20,063	19,250	16,192	1,650	6,698
Building lease	2,161	2,161	1,763	1,141	2,919	329	329	329	329	329	163	157
Insurance	16,271	16,271	16,271	16,271	16,271	77,805	42,341	45,109	45,839	43,071	18,420	124
Postage	213	235	243	281	237	1,959	1,735	1,781	1,702	1,875	922	833
Bank charges	34	22	(514)	(38)	531	1,166	1,110	796	991	1,420	2,062	535
Advertising	414	64	64	214	309	320	363	5,288	499	288	13	136
Interest	-	-	-	2	3,045	33,628	34,300	33,397	35,158	35,549	34,753	25,255
Grants and awards	190	-	-	-	-	1,026	1,051	1,026	1,076	1,086	-	477
Bad debts (recoveries)	(500)	3,005	1,024	(648)	(3,491)	(27,501)	1,127	959	(1,264)	2,606	(781)	1,440
Dues, fees and licenses	1,343	1,403	1,082	1,227	1,080	6,214	6,217	6,245	6,185	6,186	566	3,483
Depreciation of buildings and equipment	16,428	16,039	21,722	21,423	21,252	75,379	64,512	63,542	69,276	71,581	31,830	19,198
Total expenses by function	216,473	372,229	323,158	322,595	368,107	989,700	943,591	965,794	988,791	948,419	142,390	461,091
Less expenses included with revenues on the statement of activities												
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 216,473	\$ 372,229	\$ 323,158	\$ 322,595	\$ 368,107	\$ 989,700	\$ 943,591	\$ 965,794	\$ 988,791	\$ 948,419	\$ 142,390	\$ 461,091

See Notes to Financial Statements

Utah Youth Village, Inc.
Statement of Functional Expenses
Year Ended June 30, 2014
(With comparative totals for 2013)

	Program Services					Supporting Services			2014 Total Expenses	2013 Total Expenses
	Transitions	Families	Youth Village	Parenting and	Total	Management and General	Fundraising and	Total		
		First	Academy	Child Issues			Development			
Salaries and wages	\$ 581,315	\$ 1,019,633	\$ 325,028	\$ 207,723	\$ 5,739,772	\$ 619,714	\$ 210,188	\$ 829,902	\$ 6,569,674	\$ 6,450,970
Employee benefits	100,981	180,959	58,281	49,513	993,328	137,326	48,762	186,088	1,179,416	1,097,821
Payroll taxes	56,330	82,575	21,808	26,390	491,411	45,208	15,345	60,553	551,964	536,872
Professional fees	25,192	4	122	7,163	221,382	55,214	152	55,366	276,748	321,306
Payments to treatment parents	1,248,574	-	-	-	1,248,574	-	-	-	1,248,574	1,176,059
Supplies	5,297	8,187	4,576	2,318	136,383	2,699	7,516	10,215	146,598	153,027
Youth reinforcers	1,521	1,537	70	49	75,992	-	1,500	1,500	77,492	73,544
Youth travel	-	-	-	-	7,717	-	-	-	7,717	5,271
Youth entertainment	19	1,072	487	-	30,398	-	-	-	30,398	52,467
Food	12,380	13,519	4,406	2,086	316,883	4,083	20,230	24,313	341,196	394,694
Conferences and workshops	5,945	7,115	1,458	1,791	148,850	4,899	6,390	11,289	160,139	146,116
Vehicle and travel	45,910	114,476	3,565	782	294,443	2,824	4,005	6,829	301,272	305,197
Printing and publications	2,030	4,012	497	316	24,252	1,931	19,863	21,794	46,046	48,306
Telephone	10,697	21,546	14,757	1,853	108,366	5,134	1,657	6,791	115,157	116,711
Utilities	5,992	3,852	161	642	121,553	6,634	1,711	8,345	129,898	124,541
Purchase of small equipment	4,568	5,994	6,914	5,860	110,488	8,193	14,541	22,734	133,222	160,343
Building and equipment maintenance	5,106	3,342	6,373	566	163,096	5,576	1,403	6,979	170,075	156,671
Building lease	13,976	1,318	81,037	-	108,441	-	-	-	108,441	64,623
Insurance	47,325	27,167	8,493	730	437,779	28,223	2,094	30,317	468,096	453,641
Postage	1,209	1,098	411	231	14,965	1,261	2,841	4,102	19,067	22,762
Bank charges	-	(530)	-	-	7,585	15,703	-	15,703	23,288	34,700
Advertising	10,280	283	413	10,528	29,476	2,763	2,254	5,017	34,493	38,375
Interest	-	-	-	-	235,087	8,794	-	8,794	243,881	222,722
Grants and awards	4,732	50	35	-	10,749	-	311	311	11,060	9,850
Bad debts (recoveries)	(5,818)	45,591	42,400	-	58,149	-	-	-	58,149	212,512
Dues, fees and licenses	2,617	791	5,687	178	50,504	2,613	1,391	4,004	54,508	26,749
Depreciation of buildings and equipment	10,317	7,091	9,562	1,846	520,998	11,153	7,476	18,629	539,627	499,552
Total expenses by function	2,196,495	1,550,682	596,541	320,565	11,706,621	969,945	369,630	1,339,575	13,046,196	12,905,402
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	(11,350)	(11,350)	(11,350)	(9,691)
Total expenses included in the expense section on the statement of activities	\$ 2,196,495	\$ 1,550,682	\$ 596,541	\$ 320,565	\$ 11,706,621	\$ 969,945	\$ 358,280	\$ 1,328,225	\$ 13,034,846	\$ 12,895,711

See Notes to Financial Statements

Utah Youth Village, Inc.
Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 422,045	\$ 309,617
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	539,627	499,552
Amortization of deferred loan costs	10,091	2,826
(Gain) Loss on sale of property and equipment	2,586	(31,352)
Unrealized (gain) loss on investments and split-interest agreements	20	(55,131)
Changes in operating assets and liabilities		
Accounts receivable, net	12,505	230,658
Promises to give, net	21,643	(60,115)
Other receivables	(870)	(154)
Prepaid expenses	12,458	(49,606)
Accounts payable	288,767	52,622
Unearned revenue	76,994	(56,806)
Accrued payroll and related expenses	(15,091)	38,857
Other accrued expenses	16,532	(137)
Net Cash from Operating Activities	1,387,307	880,831
Cash Flows from Investing Activities		
Proceeds from sales of property and equipment	9,767	21,485
Purchases of property and equipment	(1,964,574)	(993,866)
Net Cash used for Investing Activities	(1,954,807)	(972,381)
Cash Flows from Financing Activities		
Payment of loan costs	(21,737)	-
Payment of capital lease	(4,231)	-
Proceeds from note payable	1,071,737	1,700,000
Principal payments of note payable	(197,994)	(566,435)
Net Cash from Financing Activities	847,775	1,133,565
Net Change in Cash and Cash Equivalents	280,275	1,042,015
Cash and Cash Equivalents, Beginning of Year	3,401,467	2,359,452
Cash and Cash Equivalents, End of Year	\$ 3,681,742	\$ 3,401,467
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 62,023	\$ 69,381
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangement	\$ 28,619	\$ -

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Operations

Utah Youth Village, Inc. is a Utah not-for-profit 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 60 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 school for troubled teenage girls from all over the country. It is located about 40 miles west of Salt Lake City in Tooele County, Utah.
- Families First is a unique, intensive in-home intervention that teaches parents of troubled children how to normalize their children's behaviors.
- Transitions treatment foster homes for unaccompanied refugee minors from war-torn countries throughout the world, referred through the Catholic Community Services.
- Intensive parenting training, either in-person and on-line, for the public at little or no cost.
- Higher education scholarships for Village graduates funded by donations.
- A junior and senior remedial high school that prepares foster youth to return to public schools.
- 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, Inc. 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, 2013 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, 2013 from which the summarized information was derived.

Cash and Cash Equivalents

Utah Youth Village, Inc. 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. Cash and highly liquid financial instruments restricted to permanent endowment, or other long-term purposes of Utah Youth Village, Inc. are excluded from this definition.

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, 2014 the allowance was \$53,100.

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 statements 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, 2014, 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, 2014.

Beneficial Interests in Charitable Trust Held by Others

Utah Youth Village has been named as an irrevocable beneficiary of 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 statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements 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 statements of financial position, with changes in fair value recognized in the statements 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. There was no increase in the fair value of Utah Youth Village's beneficial interest in the trust for the year ended June 30, 2014.

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 statements of financial position. Net investment return/(loss) is reported in the statements 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 Children's Perpetual Assistance Fund 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 Children’s Perpetual Assistance Fund. Permanently restricted net assets consist of donations received for the Children’s Perpetual Assistance Fund, a permanently restricted endowment fund wherein earnings from investment of the donated funds are required to be used for the operation of the Families First Program.

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 \$34,493 during the year ended June 30, 2014.

Functional Allocation of Expenses

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

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 organizations described in Section 501(c)(3). 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. The entities 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.

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, 2014, Utah Youth Village did not incur any joint costs.

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, 2014, Utah Youth Village recognized \$2,000 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, Inc.

Unearned Revenue

Utah Youth Village records amounts received prior to the related service being provided as unearned revenue. When the related services are performed, such amounts are recognized as revenue.

Subsequent Events

Utah Youth Village, Inc. has evaluated subsequent events through October 30, 2014, the date the financial statements were available to be issued.

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, Inc. 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, Inc. 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, Inc.'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, 2014:

	<u>Fair Value Measurements at Report Date Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in charitable trust held by others	\$ 2,097,116	\$ -	\$ -	\$ 2,097,116
Investments	100	100	-	-
	<u>\$ 2,097,216</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 2,097,116</u>

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, 2014:

Balance at June 30, 2013	\$ 2,097,116
Net realized and unrealized gain (loss)	<u>-</u>
Balance at June 30, 2014	<u>\$ 2,097,116</u>

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2014:

	<u>2014</u>
Within one year	\$ 27,313
In one to five years	<u>91,833</u>
	<u>\$ 119,146</u>

At June 30, 2014, two donors accounted for 91% of total promises to give. Two contributors accounted for approximately 43% of total contribution revenue for the year ended June 30, 2014.

During the year ended June 30, 2014, donors made written and verbal unconditional promises to give to Utah Youth Village totaling \$117,692 that were recognized as contributions. 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, 2014, Utah Youth Village had other receivables which included the following:

	2014
Sales tax receivable	\$ 8,217
Deposits	7,147
Total	\$ 15,364

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

Utah Youth Village’s endowment (the Endowment) consists of funds established by donors to provide annual funding for the Children’s Perpetual Assistance Fund, wherein the earnings of the Endowment are required to be used for the operation of the Families First Program. The Endowment 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, 2014, 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 the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment 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, 2014, Utah Youth Village had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment	\$ 72,693	\$ -	\$ -	\$ 72,693
Donor-restricted endowment	-	149,744	4,922,402	5,072,146
	\$ 72,693	\$ 149,744	\$ 4,922,402	\$ 5,144,839

Investment and Spending Policies

Utah Youth Village has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment 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 Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the year ended June 30, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 72,601	\$ -	\$ 4,922,402	\$ 4,995,003
Investment return				
Interest	<u>92</u>	<u>149,744</u>	<u>-</u>	<u>149,836</u>
	72,693	149,744	4,922,402	5,144,839
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 72,693</u>	<u>\$ 149,744</u>	<u>\$ 4,922,402</u>	<u>\$ 5,144,839</u>

During the year ended June 30, 2004, Utah Youth Village received an initial donation of \$2,248,217 for the Endowment. 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 the Children's Perpetual Assistance Fund, 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 Children's Perpetual Assistance Fund. Accordingly, interest income on the amount borrowed can be used only in the Families First Program. Interest paid from unrestricted net assets is recognized as investment income 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. 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, 2014, and changes during the year then ended were as follows:

Balance as of June 30, 2013	\$ 2,523,801
Principal payments from unrestricted net assets	<u>(61,909)</u>
Balance as of June 30, 2014	<u>\$ 2,461,892</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2014:

Land	\$ 1,413,409
Buildings and improvements	10,309,400
Development costs	411,902
Furniture, fixtures, and equipment	1,163,496
Vehicles	514,912
Construction in progress	<u>2,284,214</u>
	16,097,333
Less accumulated depreciation and amortization	<u>(4,718,205)</u>
	<u><u>\$ 11,379,128</u></u>

Note 7 - Notes Payable

Subsequent to year end, on July 1, 2014, Utah Youth Village refinanced the outstanding note payable, and increased the note principal balance to \$3,440,000. The repayment terms below reflect the new note agreement, including the future maturities schedule, has been updated to reflect the new note details.

Note payable to a bank; interest rate based on 7-year LIBOR plus 2.2% (5.100% at inception of loan on July 1, 2014); monthly payments of \$23,037 with final balloon payment of \$2,634,985 due July 1, 2021.	<u><u>\$ 2,491,859</u></u>
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Future maturities of notes payable are as follows:

Years Ending June 30,	
2015	\$ 94,588
2016	108,346
2017	114,003
2018	119,955
2019	126,217
Thereafter	<u>2,876,891</u>
	<u><u>\$ 3,440,000</u></u>

Note 8 - Leases

Utah Youth Village, Inc. leases office space under various operating leases, and equipment under a capital lease expiring at various dates through 2018.

Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2015	\$ 5,826	\$ 87,857
2016	5,826	85,597
2017	5,826	87,477
2018	5,826	24,048
2019	1,456	-
Thereafter	-	-
	<hr/>	<hr/>
Total minimum lease payments	24,760	\$ 284,979
Less amount representing interest	(372)	<hr/>
	<hr/>	<hr/>
Capital lease obligation	<u>\$ 24,388</u>	

Rent expense for the year ended June 30, 2014 totaled \$108,441.

Leased property under capital leases at June 30, 2014 includes:

Equipment	28,619
Less accumulated amortization	<hr/> (4,293)
	<hr/> <u>\$ 24,326</u> <hr/>

Note 9 - Contract Revenue

Utah Youth Village, Inc. 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, 2014 Utah Youth Village received approximately 64%, 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 under which Utah Youth Village must contribute 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, 2014 was \$443,359 which is included in employee benefits in the statement of functional expenses.

Note 12 - Related Party Transactions

During the year ended June 30, 2014, Utah Youth Village Organization paid \$1,541,811 to a construction company whose president is a member of the Board of Trustees of Utah Youth Village. The services provided are for constructing the Mountain Birch and Aspire Homes at Alpine Academy, in addition to the expansion of the Crocker Education Center.



Other Information
June 30, 2014

Utah Youth Village, Inc.



**Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah Youth Village, Inc. as of and for the year ended June 30, 2014, and related notes to the financial statements, and have issued our report thereon, dated October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Utah Youth Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Utah Youth Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Utah Youth Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Utah Youth Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
October 30, 2014



**Independent Auditor's Report on Schedule of Expenditures of Grants, Contracts
and Loan Funds as Required by the *State Compliance Audit Guide***

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

We have audited the accompanying statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. We issued our report thereon dated October 30, 2014, which contained an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Salt Lake City, Utah
October 30, 2014

Utah Youth Village, Inc.
Schedule of Expenditures of State Grants, Contracts, and Loan Funds
Year Ended June 30, 2014

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
<u>Department of Human Services</u>			
DCFS Proctor and Transition to Adult Living Services	A01873	2012	\$ 1,109,242
DJJS Proctor and Transition to Adult Living Services	A01810	2012	59,735
DCFS Residential Treatment Services	111067, A02086	2013	1,024,184
DJJS Residential Treatment Services	110812, A02045	2013	341,055
DCFS Parent Advocate	120374		56,400
DCFS Outpatient Services	A01734		13,406
DCFS Promoting Safe and Stable Families	121673	2012	372,000
DCFS Promoting Safe and Stable Families	130638	2012	<u>93,000</u>
Subtotal – Department of Human Services			<u>3,069,022</u>
<u>Second District Juvenile Court</u>			
In-Home Intervention Services	121472	2013	<u>55,824</u>
Subtotal – Second District Juvenile Court			<u>55,824</u>
<u>Third District Juvenile Court</u>			
In-Home Intervention Services	121341	2013	<u>232,019</u>
Subtotal – Third District Juvenile Court			<u>232,019</u>
<u>Fourth District Juvenile Court</u>			
In-Home Intervention Services	121571	2013	<u>43,613</u>
Subtotal – Fourth District Juvenile Court			<u>43,613</u>
Total Grant, Contract, and Loan Fund Expenditures			<u><u>\$ 3,400,478</u></u>

Based on the risk based assessment of determining major programs required by the State Compliance Audit Guide, there were no major programs for the year ended June 30, 2014.