

YOUTH HOMES, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2019

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth Homes, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Youth Homes, Incorporated (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Homes, Incorporated as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Youth Homes, Incorporated's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of Youth Homes, Incorporated'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 solely 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 effectiveness of Youth Homes Incorporated's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youth Homes, Incorporated's internal control over financial reporting and compliance.

Harrington Group

Oakland, California
December 19, 2019

YOUTH HOMES, INCORPORATED

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With comparative totals at June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
ASSETS				
Cash	\$ 343,570	\$ 379,648	\$ 723,218	\$ 1,433,015
Accounts and grants receivable	1,039,550		1,039,550	658,397
Investments (Note 4)	1,727,593		1,727,593	1,685,661
Prepaid expenses	128,943		128,943	124,378
Split-interest agreement (Note 5)		229,575	229,575	225,025
Property and equipment (Note 7)	561,497		561,497	463,448
	\$ 3,801,153	\$ 609,223	\$ 4,410,376	\$ 4,589,924
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 55,740	\$ -	\$ 55,740	\$ 74,168
Accrued liabilities (Note 8)	448,138		448,138	521,280
Deferred rent	29,860		29,860	52,555
Accrued unemployment liability (Note 9)	31,000		31,000	31,000
Line of credit (Note 10)			-	-
Notes payable (Note 11)	491,871		491,871	503,714
	1,056,609	-	1,056,609	1,182,717
NET ASSETS				
Without donor restrictions	2,744,544		2,744,544	2,918,254
With donor restrictions				
Purpose restrictions (Note 13)		379,648	379,648	263,928
Perpetual in nature (Note 5)		229,575	229,575	225,025
	2,744,544	609,223	3,353,767	3,407,207
TOTAL LIABILITIES AND NET ASSETS	\$ 3,801,153	\$ 609,223	\$ 4,410,376	\$ 4,589,924

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUE AND SUPPORT				
Program service fees - government (Note 14)	\$ 6,724,263	\$ -	\$ 6,724,263	\$ 7,209,338
Contributions	48,692	308,104	356,796	480,249
Contributions - auxiliary	241,810		241,810	146,112
Special event, net of benefit to donor of \$34,806	203,821		203,821	170,694
Interest income	47,074		47,074	44,749
Gain on investments	25,159		25,159	39,704
Other income	16,911		16,911	213,160
Change in value of split-interest agreement		4,550	4,550	3,129
In-kind donations (Note 2)			-	4,500
Net assets released from restrictions (Note 13)	192,384	(192,384)	-	-
TOTAL REVENUE AND SUPPORT	7,500,114	120,270	7,620,384	8,311,635
EXPENSES				
Program services	5,910,614		5,910,614	6,095,761
Management and general	1,500,274		1,500,274	1,341,305
Fundraising	262,936		262,936	296,697
TOTAL EXPENSES	7,673,824	-	7,673,824	7,733,763
CHANGE IN NET ASSETS	(173,710)	120,270	(53,440)	577,872
NET ASSETS, BEGINNING OF YEAR	2,918,254	488,953	3,407,207	2,829,335
NET ASSETS, END OF YEAR	\$ 2,744,544	\$ 609,223	\$ 3,353,767	\$ 3,407,207

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	Foster Youth Programs	Youth Services and Programs	Young Adult Programs	Total Program Services	Management and General	Fundraising	Total Expenses	
							2019	2018
Salaries	\$ 1,822,008	\$ 1,670,970	\$ 302,672	3,795,650	\$ 813,463	\$ 154,578	\$ 4,763,691	\$ 4,854,826
Payroll taxes and employee benefits	392,945	363,795	64,519	821,259	163,896	32,933	1,018,088	1,116,588
Total personnel costs	<u>2,214,953</u>	<u>2,034,765</u>	<u>367,191</u>	<u>4,616,909</u>	<u>977,359</u>	<u>187,511</u>	5,781,779	<u>5,971,414</u>
Professional fees	13,861	56,807	51,259	121,927	165,858	31,137	318,922	300,824
Rent	28,799	79,168	34,627	142,594	65,289	7,006	214,889	210,940
Child related expenses	170,043	7,298	5,598	182,939			182,939	167,572
Travel	50,411	74,099	22,025	146,535	11,535	(388)	157,682	157,484
Repairs and maintenance	120,400	981	420	121,801	23,485		145,286	136,541
Insurance	22,982	43,205	7711	73,898	56,667	3,965	134,530	96,676
Bad debt	130,542			130,542			130,542	-
Supplies	33,886	29,126	9,133	72,145	17,497	1,777	91,419	106,707
Information technology		5,964	1,058	7,022	79,220	1,921	88,163	184,914
Utilities	61,247	2,478	1,184	64,909	4,917	235	70,061	63,916
Food	65,820	420	1,527	67,767			67,767	64,448
Telephone	981	23,594	4,683	29,258	24,235	2,147	55,640	48,418
Staff development and training	2,452	3,962	646	7,060	34,155	4,233	45,448	41,864
Depreciation	35,275			35,275			35,275	38,766
In-kind expenses	29,921		3,000	32,921			32,921	30,244
Printing and office expenses		786	109	895	15,613	12,587	29,095	26,743
Dues and subscriptions	100		95	195	19,425	1,380	21,000	19,409
Interest expenses	20,716			20,716	3		20,719	19,628
Meeting (advertising and public relations)	8,976			8,976	714	5,060	14,750	8,064
Basic care	11,767		116	11,883			11,883	11,274
Property taxes	8,865			8,865	20		8,885	3,342
Bank and other fees					4,282	4,365	8,647	8,361
Licenses	5,582			5,582			5,582	6,778
Miscellaneous							-	9,436
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 3,037,579</u>	<u>\$ 2,362,653</u>	<u>\$ 510,382</u>	<u>\$ 5,910,614</u>	<u>\$ 1,500,274</u>	<u>\$ 262,936</u>	<u>\$ 7,673,824</u>	
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 2,838,611</u>	<u>\$ 2,675,195</u>	<u>\$ 581,955</u>	<u>\$ 6,095,761</u>	<u>\$ 1,341,305</u>	<u>\$ 296,697</u>		<u>\$ 7,733,763</u>

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (53,440)	\$ 577,872
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	35,275	38,766
Change in value of split-interest agreement	(4,550)	(3,129)
Reinvested interest and dividends	(41,089)	(40,456)
(Gain) on investment	(25,159)	(39,704)
(Increase) decrease in operating assets:		
Accounts grants and receivable	(381,153)	92,955
Prepaid expenses	(4,565)	29,729
Increase (decrease) in operating liabilities:		
Accounts payable	(18,428)	(7,754)
Accrued liabilities	(73,142)	3,381
Deferred rent	(22,695)	(19,066)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(588,946)	632,594
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(490,754)
Proceeds from the sale of investments	24,316	730,291
Purchase of property and equipment	(133,324)	-
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(109,008)	239,537
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(11,843)	(13,054)
Payments on line of credit	-	(19,255)
NET CASH (USED) BY FINANCING ACTIVITIES	(11,843)	(32,309)
NET (DECREASE) INCREASE IN CASH	(709,797)	839,822
CASH, BEGINNING OF YEAR	1,433,015	593,193
CASH, END OF YEAR	\$ 723,218	\$ 1,433,015
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid of:	\$ 20,719	\$ 19,628

The accompanying notes are an integral part of these financial statements.

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Organization

Youth Homes, Incorporated (“Youth Homes”) is a not-for-profit organization under the laws of the State of California. Youth Homes provides a range of services to foster care children placed with it by various governmental agencies.

Youth Homes’ range of services includes the following:

Intensive Residential Treatment: Youth Homes operates four state licensed, six-bed homes in several cities in central Contra Costa County. Two of the homes are emergency shelters and two are short-term treatment programs.

Intensive Treatment Foster Care: Youth Homes certifies family homes in the community as foster homes to provide a step-down option from its residential programs and a family setting option for youth who would benefit from longer-term treatment in a family environment.

Community Based Mental Health Services: Under contract with the Health Services Department, Youth Homes provides a wide variety of mental health support services to severely emotional abused children and adolescents. These services include psychological assessment, individual and group therapy, family therapy, which occur mostly in its residential facilities.

Therapeutic Behavioral Services: A very sophisticated, preventative program with a highly specialized team of behavioral coaches who fan out across the county each day to support children. The children served by this program are at a high risk of returning to very high-level residential treatment settings or acute care hospitals.

After Care Services: In order to assure permanent homes for foster children who are transitioning to lower levels of care or independent living, Youth Homes provides an extensive after care program. This program helps foster children, who are aging out of the system, with mental health counseling, help with finding employment, assistance with finding a safe place to live, and support with their individual education goals.

Mentoring Program: A group of special volunteers works one-on-one with a child. The volunteers give the child an adult friend who is dependable, caring, and committed to their well being. This program helps the children as they transition to young adults, and well into their future.

Youth Homes receives funding from county and state agencies, with portions of its funding originating from the federal government. Youth Homes also receives funding from private sources.

Transitional-aged Youth Labor Program: Youth Home now employs between six and eight former foster care clients in providing light gardening, hauling, and yard work for private pay in the community.

Transitional-aged Youth Full-Service Partnership: Youth Homes provides intensive case management and therapeutic support for young adults aged 16-25 struggling with serious mental illness.

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

With Donor Restrictions. Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Investments

Youth Homes values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as other income. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

Youth Homes is required to measure certain investments, a split-interest agreement, and non-cash contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Youth Homes places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limits. Youth Homes has not incurred in material losses related to these investments.

The primary receivable balance outstanding at June 30, 2019 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Youth Homes' receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 87% of total revenue and support generated by Youth Homes as of June 30, 2019, is derived from government service fees.

Youth Homes holds investments in the form of certificates of deposit, common stock, and money market funds. The Board of Directors routinely reviews market values of such investments.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than two years.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2019, Youth Homes did not receive in-kind contributions of \$0 for donated materials and services received.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

Youth Homes is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Youth Homes in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Youth Homes' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Youth Homes' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Youth Homes uses salary dollars to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Youth Homes' financial statements for year ended June 30, 2019 are presented in accordance with ASU 2016-14.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Youth Homes' financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 19, 2019, the date which the financial statements were available for issue. No events of transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

Youth Homes regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Youth Homes has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Youth Homes considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, billable services, fundraising, and investments. The Finance Committee of the Board of Directors meets monthly to review all financial aspects of the organization and meets annually with Youth Homes' financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, Youth Homes operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$ 343,570
Accounts and grants receivable	1,039,550
Investments	<u>1,727,593</u>
	<u>\$3,110,713</u>

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

4. Investments

Significant information about investments at June 30, 2019 is summarized as follows:

Exchange-market funds	\$1,155,261
Money market funds	276,770
Cash	228,920
Certificates of deposit	<u>66,642</u>
	<u>\$1,727,593</u>

5. Split-Interest Agreement

During 1980, a donor established a trust with a bank, naming Youth Homes as one of the beneficiaries of a perpetual trust. Under the terms of the split-interest agreement, Youth Homes is to receive one-third of the annual income, for its unrestricted use, after payment of taxes, trustee fees, and certain other beneficiary payments until the last-named person's death. At the time of the last-named person's death, Youth Homes will continue to receive one-third of the annual income, after payment of taxes and trustee fees, in perpetuity. One-third of the fair value of the trust assets, \$229,575 is reported with donor restrictions in perpetuity by Youth Homes.

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-market funds	\$1,155,261	\$ -	\$ -	\$1,155,261
Investment in Marie Cruess Charitable Remainder Trust	<u>229,575</u>	<u> </u>	<u> </u>	<u>229,575</u>
(split-interest agreement)	<u>\$1,384,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,384,836</u>

The fair value of exchange-market funds and investment in Marie Cruess Charitable Remainder Trust has been measured on a recurring basis using quoted prices for identical assets in active markets since the underlying assets of the trust are invested in market traded instruments (Level 1 inputs).

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

7. Property and Equipment

Property and equipment at June 30, 2019 consist of the following:

Land	\$ 306,008
Buildings	425,147
Leasehold improvements	315,952
Vehicles	<u>130,966</u>
	1,178,073
Less: accumulated depreciation	<u>(616,576)</u>
	<u>\$ 561,497</u>

In May 1994, Youth Homes acquired Community Development Block Grant funds in the amount of \$80,000 from the Community Development Department of Contra Costa County, for the down payment on improved real property to be used as a group home. The grant will be converted to debt, if Youth Homes changes the use of the property. Youth Homes does not intend to change the use of the property. Pursuant to the grant provisions, Youth Homes delivered to the County a deed of trust encumbering the property.

8. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Accrued vacation	\$256,380
Accrued salaries and related liabilities	<u>191,758</u>
	<u>\$448,138</u>

9. Accrued Unemployment Liability

Youth Homes has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2019 of \$31,000 represents estimated future claims arising from payroll paid to June 30, 2019. Unemployment claims for the year ended June 30, 2019 was \$20,359.

10. Line of Credit

Youth Homes has a \$75,000 revolving line of credit at a variable rate of interest. The outstanding balance at June 30, 2019 was \$0.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

11. Notes Payable

Notes payable at June 30, 2019 consist of the following:

Mortgage payable to a bank, secured by real property, monthly payments of \$2,595, including interest at 3.875%, due November 2037.	\$201,595
Mortgage payable to a bank, secured by real property, monthly payments of \$1,746, including interest at 3.875%, due December 2033.	201,196
Mortgage payable to a bank, secured by real property, monthly payments of \$686, including interest at 3.875%, due August 2034.	<u>89,080</u>
	<u>\$491,871</u>

Payments for notes payable are as follows:

<u>Year ending June 30,</u>	
2020	\$ 13,126
2021	13,644
2022	14,183
2023	14,742
2024	15,323
Thereafter	<u>420,853</u>
	<u>\$491,871</u>

12. Commitments and Contingencies

Obligations Under Operating Leases

Youth Homes leases real property and equipment under operating leases expiring in various years. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2020	\$264,831
2021	85,446
2022	54,810
Thereafter	<u>53,165</u>
	<u>\$458,252</u>

Rent expense under operating leases for the year ended June 30, 2019 was \$223,653.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

12. Commitments and Contingencies, continued

Contracts

Youth Homes' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Youth Homes has no provisions for the possible disallowance of program costs on its financial statements.

13. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 consist of the following:

Stepping Stones program	\$208,371
Employee Initiatives and Training	122,792
Capital campaign	35,000
After Care/Transition Age Youth Programs	<u>13,485</u>
	<u>\$379,648</u>

For the year ended June 30, 2019, net assets with donor restrictions released from purpose restrictions were \$192,384.

14. Program Service Fees - Government

Program service fees for the year ended June 30, 2019 consist of the following:

Residential and foster care	\$3,144,652
C-5 mental health program	1,819,820
Therapeutic behavioral services	716,422
TAY contract services	518,040
Katie A contract services	383,662
RCL 12 supplemental funding	<u>141,667</u>
	<u>\$6,724,263</u>