

UTAH YOUTH VILLAGE, INC.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

June 30, 2010

HANSEN, BARNETT & MAXWELL, P.C.
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

UTAH YOUTH VILLAGE, INC.

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Registered with the Public Company
Accounting Oversight Board



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Utah Youth Village, Inc.

We have audited the accompanying statement of financial position of Utah Youth Village, Inc. (the Organization) (a non-profit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Utah Youth Village, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated September 17, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2010 on our consideration of the internal control of Utah Youth Village, Inc. 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 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 the results of our audit.

Hansen, Barnett + Maxwell, P.C.
HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
September 16, 2010

UTAH YOUTH VILLAGE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
With Summarized Financial Information as of June 30, 2009

	2010				2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
ASSETS					
Cash and cash equivalents	\$ 2,054,514	\$ 185,577	\$ 136,514	\$ 2,376,605	\$ 2,664,458
Investments	-	860	-	860	520
Accounts receivables, net of allowance of \$53,100	1,181,153	-	-	1,181,153	1,075,246
Other receivables	10,025	-	-	10,025	4,358
Beneficial interest in split-interest agreements	-	38,375	1,973,756	2,012,131	1,753,279
Promises to give	255	103,833	-	104,088	200,255
Prepaid expenses	89,830	-	-	89,830	88,161
Deferred loan costs	16,872	-	-	16,872	13,722
Note receivable from unrestricted net assets - Note 5	-	-	2,688,772	2,688,772	2,737,501
Property and equipment, net of accumulated depreciation of \$3,111,394	8,281,933	-	-	8,281,933	7,710,074
Total Assets	\$ 11,634,582	\$ 328,645	\$ 4,799,042	\$ 16,762,269	\$ 16,247,574
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 246,474	\$ -	\$ -	\$ 246,474	\$ 238,757
Unearned revenues	138,115	-	-	138,115	174,621
Accrued payroll and related expenses	420,518	-	-	420,518	422,654
Other accrued expenses	651	-	-	651	344
Notes payable	1,197,253	-	-	1,197,253	1,078,902
Note payable to permanently restricted net assets - Note 5	2,688,772	-	-	2,688,772	2,737,501
Total Liabilities	4,691,783	-	-	4,691,783	4,652,779
Net Assets					
Unrestricted:					
Undesignated	1,712,384	-	-	1,712,384	1,907,819
Designated:					
Property and equipment, net of related debt	4,395,908	-	-	4,395,908	3,893,671
Endowment	362,387	-	-	362,387	359,900
Children's Perpetual Assistance Fund	72,120	-	-	72,120	71,688
Families First	400,000	-	-	400,000	400,000
Temporarily Restricted:					
Families First	-	162,925	-	162,925	165,755
Sorenson Group Home	-	100,000	-	100,000	200,000
Scholarship	-	21,194	-	21,194	15,149
Beneficial interest in split-interest agreement	-	38,375	-	38,375	38,578
Other	-	6,151	-	6,151	2,248
Permanently Restricted					
Children's Perpetual Assistance Fund	-	-	4,799,042	4,799,042	4,539,987
Total Net Assets	6,942,799	328,645	4,799,042	12,070,486	11,594,795
Total Liabilities and Net Assets	\$ 11,634,582	\$ 328,645	\$ 4,799,042	\$ 16,762,269	\$ 16,247,574

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

UTAH YOUTH VILLAGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
With Summarized Financial Information for the Year Ended June 30, 2009

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Public Support					
Contributions	\$ 285,497	\$ 239,062	\$ -	\$ 524,559	\$ 669,867
Revenues					
Utah Department of Human Services	2,894,428	-	-	2,894,428	2,723,099
Other agencies and organizations	5,550,384	-	-	5,550,384	4,415,398
Private placement	1,529,549	-	-	1,529,549	2,215,172
Change in fair value of split-interest agreements	-	(202)	259,055	258,853	122,402
Gain on sale of property and equipment	190	-	-	190	2,521
Interest income	23,912	162,925	-	186,837	211,672
Unrealized gain (loss) on investments	-	340	-	340	(2,160)
Special events, net of expenses of \$13,692	(3,372)	-	-	(3,372)	(6,623)
Other	1,550	-	-	1,550	50
Total Revenues	9,996,641	163,063	259,055	10,418,759	9,681,531
Net Assets Released From Restrictions	495,210	(495,210)	-	-	-
Total Public Support And Revenues	10,777,348	(93,085)	259,055	10,943,318	10,351,398
Expenses					
Program Services:					
Residential Treatment Centers					
North Kearns	377,691	-	-	377,691	366,034
South Kearns	433,295	-	-	433,295	400,524
West Jordan Home	358,575	-	-	358,575	307,296
Raymond Home	436,758	-	-	436,758	342,374
Sorenson Home	375,583	-	-	375,583	318,087
Alpine Academy - Gene Smith Home	835,714	-	-	835,714	769,460
Alpine Academy - Pine Canyon	794,607	-	-	794,607	747,136
Alpine Academy - Willow Creek	798,859	-	-	798,859	722,452
Alpine Academy - Oakridge	797,941	-	-	797,941	804,446
Alpine Academy - Cottonwood Grove	854,328	-	-	854,328	810,468
Alpine Academy - Independent Living	238,713	-	-	238,713	155,245
Transitions	2,132,906	-	-	2,132,906	1,866,660
Families First	999,377	-	-	999,377	936,213
Child Issues	66,117	-	-	66,117	16,079
Parenting	2,111	-	-	2,111	2,284
Total Program Services	9,502,575	-	-	9,502,575	8,564,758
Supporting Services:					
Management and general	729,421	-	-	729,421	734,583
Fund-raising	235,631	-	-	235,631	272,889
Total Supporting Services	965,052	-	-	965,052	1,007,472
Total Expenses	10,467,627	-	-	10,467,627	9,572,230
Change in Net Assets	309,721	(93,085)	259,055	475,691	779,168
Net Assets, Beginning of Year	\$6,633,078	\$ 421,730	\$4,539,987	11,594,795	10,815,627
Net Assets, End of Year	\$6,942,799	\$ 328,645	\$4,799,042	\$12,070,486	\$ 11,594,795

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

UTAH YOUTH VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services										
	North Kearns	South Kearns	West Jordan Home	Raymond Home	Sorenson Home	Gene Smith Home	Pine Canyon	Willow Creek	Oakridge	Cottonwood Grove	Independent Living
Salaries	\$ 204,722	\$ 243,827	\$ 204,377	\$ 230,266	\$ 203,084	\$ 412,367	\$ 399,470	\$ 314,848	\$ 398,865	\$ 434,628	\$ 94,279
Employee benefits	44,861	52,105	34,700	36,417	31,345	65,017	56,560	53,062	58,155	76,627	16,268
Payroll taxes	18,664	19,510	16,127	18,035	17,445	49,199	41,470	26,555	35,065	37,590	7,458
Total Salaries and Related Expenses	268,247	315,442	255,204	284,718	251,874	526,583	497,500	394,465	492,085	548,845	118,005
Professional fees	4,272	3,439	1,809	7,640	939	41,769	46,121	35,296	43,176	40,230	8,367
Payments to Treatment Parents	-	-	-	-	-	-	-	-	-	-	-
Supplies	5,892	6,127	6,170	9,337	6,003	10,932	12,741	11,742	11,272	12,305	3,748
Youth reinforcers	6,400	6,865	5,586	7,611	5,929	5,019	5,838	3,400	4,315	4,721	2,420
Youth travel	36	45	-	51	4	854	302	12	378	67	38
Youth entertainment	2,270	2,006	2,738	3,223	2,845	5,508	7,119	4,860	5,334	6,342	1,135
Food	17,559	21,284	16,768	23,462	16,494	31,374	33,932	25,742	31,243	30,030	9,440
Conferences and workshops	2,873	3,373	1,503	2,066	1,376	17,480	17,477	17,715	17,475	17,666	4,953
Vehicle and travel	8,206	10,735	11,944	15,299	8,907	11,284	13,015	11,980	11,512	12,531	6,139
Printing and publications	731	519	455	488	480	2,593	2,528	2,404	2,499	2,508	675
Telephone	3,037	2,896	2,978	3,438	2,788	8,202	6,943	7,420	8,036	8,265	2,661
Utilities	7,374	8,120	5,549	8,508	5,034	9,022	9,477	9,519	9,385	8,325	4,429
Purchase of small equipment	3,051	2,656	3,574	5,294	2,715	16,723	14,271	16,976	13,156	12,148	5,290
Building and equipment maintenance	6,172	6,464	4,506	7,964	5,760	16,736	13,304	12,774	13,411	10,462	5,225
Building lease	7,047	7,047	7,047	7,047	7,047	-	-	-	-	-	-
Insurance	12,321	12,321	12,321	14,136	12,312	25,906	25,758	150,758	25,749	26,445	6,145
Postage	437	459	348	632	464	1,998	1,687	1,685	1,990	2,443	506
Bank charges	100	-	-	379	890	49	19	101	207	235	209
Advertising	(45)	718	(45)	4,955	(45)	922	1,026	995	3,342	666	175
Interest	-	-	-	6,440	16,864	30,956	30,956	30,956	42,899	46,154	27,882
Grants and awards	-	-	-	-	-	783	783	783	783	810	206
Bad debts (recoveries)	-	351	-	-	-	-	165	-	3,040	-	-
Dues, fees and licenses	1,260	1,304	824	1,936	788	2,522	2,486	2,498	2,457	2,559	1,077
Total Expenses Before Depreciation	357,240	412,171	339,279	414,624	349,468	767,215	743,448	742,081	743,744	793,757	208,725
Depreciation of buildings and equipment	20,451	21,124	19,296	22,134	26,115	68,499	51,159	56,778	54,197	60,571	29,988
Total Expenses	\$ 377,691	\$ 433,295	\$ 358,575	\$ 436,758	\$ 375,583	\$ 835,714	\$ 794,607	\$ 798,859	\$ 797,941	\$ 854,328	\$ 238,713

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

UTAH YOUTH VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services (Continued)				Supporting Services					
	Families		Child Issues	Parenting	Total	Management and General		Fund Raising	Total	Total Expenses
	Transitions	First				General	Management and General			
Salaries	\$ 563,487	\$ 616,229	\$ 44,327	\$ 1,185	\$ 4,365,961	\$ 463,182	\$ 116,196	\$ 579,378	\$ 4,945,339	
Employee benefits	96,062	139,709	11,605	50	772,543	99,547	31,723	131,270	903,813	
Payroll taxes	48,825	49,028	2,821	98	387,890	31,859	8,419	40,278	428,168	
Total Salaries and Related Expenses	708,374	804,966	58,753	1,333	5,526,394	594,588	156,338	750,926	6,277,320	
Professional fees	51,500	1,230	24	-	285,812	35,650	9,012	44,662	330,474	
Payments to Treatment Parents	1,221,989	-	-	-	1,221,989	-	-	-	1,221,989	
Supplies	3,351	4,940	461	66	105,087	2,750	7,208	9,958	115,045	
Youth reinforcers	2,241	832	-	-	61,177	-	-	-	61,177	
Youth travel	-	-	-	-	1,787	-	-	-	1,787	
Youth entertainment	83	1,049	-	-	44,512	-	-	-	44,512	
Food	11,415	8,378	14	1	277,136	2,949	4,028	6,977	284,113	
Conferences and workshops	8,917	9,384	760	4	123,022	2,452	3,023	5,475	128,497	
Vehicle and travel	38,666	60,050	356	-	220,624	1,359	998	2,357	222,981	
Printing and publications	4,884	5,640	165	69	26,638	2,651	35,535	38,186	64,824	
Telephone	12,147	13,868	433	-	83,112	4,022	1,275	5,297	88,409	
Utilities	4,744	2,987	-	263	92,736	4,744	1,054	5,798	98,534	
Purchase of small equipment	3,471	3,804	160	1	103,290	3,450	2,916	6,366	109,656	
Building and equipment maintenance	7,475	4,687	37	368	115,345	7,052	1,582	8,634	123,979	
Building lease	3,213	-	-	-	38,448	-	-	-	38,448	
Insurance	29,268	16,973	-	-	370,413	12,147	1,934	14,081	384,494	
Postage	2,023	1,603	100	6	16,381	1,881	2,160	4,041	20,422	
Bank charges	-	-	-	-	2,189	11,765	(5)	11,760	13,949	
Advertising	2,389	-	-	-	15,053	30,892	3,967	34,859	49,912	
Interest	-	-	-	-	233,107	22	-	22	233,129	
Grants and awards	5,801	-	4,055	-	14,004	500	2,173	2,673	16,677	
Bad debts (recoveries)	152	52,179	-	-	55,887	-	-	-	55,887	
Dues, fees and licenses	1,212	356	282	-	21,561	3,457	424	3,881	25,442	
Total Expenses Before Depreciation	2,123,315	992,926	65,600	2,111	9,055,704	722,331	233,622	955,953	10,011,657	
Depreciation of buildings and equipment	9,591	6,451	517	-	446,871	7,090	2,009	9,099	455,970	
Total Expenses	\$ 2,132,906	\$ 999,377	\$ 66,117	\$ 2,111	\$ 9,502,575	\$ 729,421	\$ 235,631	\$ 965,052	\$ 10,467,627	

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

UTAH YOUTH VILLAGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
With Summarized Financial Information for the Year Ended June 30, 2009

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 475,691	\$ 779,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	457,761	471,135
Gain on sale of property and equipment	(347)	(2,521)
Unrealized (gain) loss on investments	(340)	2,160
Changes in assets and liabilities:		
Contracts receivable	(37,451)	(1,733)
Promises to give	96,167	939
Beneficial interest in split-interest agreements	(258,852)	(122,402)
Other receivables	(5,667)	(72,585)
Other assets	(1,669)	(8,493)
Accounts payable	7,717	76,914
Unearned revenue	(36,506)	(7,796)
Accrued payroll and related expenses	(2,136)	(25,742)
Other accrued expenses	307	(956)
Net Cash Provided by Operating Activities	694,675	1,088,088
Cash Flows From Investing Activities		
Proceeds from sale of property and equipment	850	3,393
Purchase of property and equipment	(678,331)	(445,504)
Net Cash Used in Investing Activities	(677,481)	(442,111)
Cash Flows From Financing Activities		
Payment of loan costs	(4,942)	(4,327)
Principal payments of note payable	(231,649)	(652,785)
Net Cash Used in Financing Activities	(236,591)	(657,112)
Net Decrease in Cash	(219,397)	(11,135)
Cash and Cash Equivalents at Beginning of Year	2,664,458	2,675,593
Cash and Cash Equivalents at End of Year	\$ 2,445,061	\$ 2,664,458
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest to outside parties	\$ 70,834	\$ 114,638
Supplemental Schedule of Noncash Investing and Financing Activities:		
Property and equipment acquired in exchange for note payable	\$ 350,000	\$ 340,000

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

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations — Utah Youth Village, Inc. (The Organization) 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, the Organization 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 & Family Services, State Division of Juvenile Justice Services and other agencies. The children and youth are wards of the state and are referred to the Organization 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.

The Organization 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. The Organization follows generally accepted accounting principles for voluntary health and welfare organizations. The following is a summary of significant accounting policies.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Financial Statement Presentation — The Organization 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, the Organization 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.

Cash and Cash Equivalents — The Organization considers all investments with original maturities of three months or less to be cash equivalents. As of June 30, 2010, the Organization had deposits in checking, savings and money market funds of which \$1,913,439 exceeded federally insured limits.

Accounts Receivables — Revenue is recognized on the accrual basis whereby revenue is recognized as services are provided. The Organization's accounts receivable represent amounts owing 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. All receivables are uncollateralized.

Allowance for Uncollectible Accounts — An allowance for uncollectible accounts is estimated and recorded based on the Organization's historical bad debt experience, and based on management's judgment.

Property and Equipment — Expenditures for property and equipment in excess of \$1,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Contributions and Donated Assets — Contributions received are recorded as unrestricted or temporarily restricted public support depending on the existence or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon changes in donors' restrictions or satisfaction of the time or purpose restrictions. All contributions are considered to be available for unrestricted use in the appropriate time period unless specifically restricted by the donor.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet these criteria are not recognized. Donated assets and contributed services are recognized at their fair market value when the value exceeds \$1,000. A substantial number of volunteers have donated significant time in program services and in maintenance of the Organization's offices and group homes. During the year ended June 30, 2010, the Organization recognized \$17,945 of in-kind contribution revenue related to the donation of services and assets.

Promises to Give — Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give that will be received in more than one year are discounted to their present value. Amortization of the discount is recognized as contributions over the term of the various promises to give.

Designations and Restrictions of Net Assets — Certain unrestricted net assets have been designated by the Organization'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

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 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.

Unearned Revenue — The Organization 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.

Advertising — The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended June 30, 2010 was \$49,912.

Income Taxes — The Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. No provision for federal or state income taxes has been made in the accompanying financial statements as all of the Organization's current activities are exempt from income tax.

Expense Allocations — Certain expenses for items that are shared by programs of Utah Youth Village, Inc. are allocated among its various programs. These expenses include certain salaries and related costs of personnel, office expenses, liability insurance, travel, supplies, and informational materials. Allocations of large dollar items such as salaries and office expenses are based on time studies. Other items are allocated on a consistent basis as determined by management.

Fund Raising Costs — The Organization allocates joint costs among fund raising and support and program services if certain criteria are met. During the year ended June 30, 2010, the Organization did not incur any joint 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments — The Organization has financial instruments consisting primarily of cash equivalents in money market funds, a note receivable from unrestricted net assets, and notes payable. The Organization estimates that the fair value of all financial instruments at June 30, 2010 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

Summarized Comparative Financial Information — The accompanying financial statements include certain summarized financial information as of June 30, 2009 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

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

Reclassification — Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 financial statement classification. The reclassification had no effect on the total change in net assets reported for the year ended June 30, 2009.

Recent Accounting Pronouncements — In January 2009, the FASB issued guidance relating to *Not-for-Profit Entities: Mergers and Acquisitions*. This guidance improves the relevance, representational faithfulness, and comparability of the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities. To accomplish that, this Statement establishes principles and requirements for how a not-for-profit entity: (a) determines whether a combination is a merger or an acquisition, (b) applies the carryover method in accounting for a merger, (c) applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and (d) determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. This guidance also improves the relevance, representational faithfulness, and comparability of the information a not-for-profit entity provides about goodwill and other intangible assets after an acquisition by amending prior guidance to make it fully applicable to not-for-profit entities. This standard is effective for: (a) mergers for which the merger date is on or after the beginning of an initial reporting period beginning on or after December 15, 2009 and (b) acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. It may not be applied to mergers or acquisitions before those dates. The Organization does not expect that the adoption of this standard will have a material impact on its financial statements.

In January 2010, the FASB issued guidance requiring an entity to disclose the following:

- Separately disclose the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe reasons for the transfers.
- Present separately information about purchases, sales, issuances and settlements, on a gross basis, rather than on one net number, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3).
- Provide fair value measurement disclosures for each class of assets and liabilities.
- Provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or level 3.

This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The Organization does not expect that the adoption of this standard will have a material impact on its financial statements.

Subsequent Events— We have evaluated subsequent events after the balance sheet date of June 30, 2010 through September 16, 2010 which is the date the financial statements were issued.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENTS

During the year ended June 30, 2000, the Organization was named a beneficiary of a charitable remainder trust. Under the agreement, the donors will receive all investment dividends during their lifetime and at the end of the trust term the Organization will receive the remaining trust assets. In accordance with the donor-imposed restriction, the remaining trust assets that will be distributed to the Organization will be added to the Children's Perpetual Assistance Fund (See Note 1). Accordingly, the fair value of the Organization's beneficial interest in the trust assets as of June 30, 2010 of \$1,973,756 is included in permanently restricted net assets. The increase in the fair value of the Organization's beneficial interest in the trust for the year ended June 30, 2010 was \$259,055 and is reflected on the statement of activities.

During the year ended June 30, 2001, the Organization was named a beneficiary of another charitable remainder trust. Under the agreement, the donor will receive 8% of trust assets annually during their lifetime and at the end of the trust term the Organization will receive 25% of the remaining trust assets. No donor-imposed restriction exists on the remaining trust assets that will be distributed to the Organization. The fair value of the Organization's beneficial interest in the trust as of June 30, 2010 is \$38,375. The decrease in the fair value of the Organization's beneficial interest in the trust for the year ended June 30, 2010 was \$202 and is reflected on the statement of activities.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

During the year ended June 30, 2010, donors made written and verbal unconditional promises to give to the Organization totaling \$4,600 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. Of the total promises to give that were receivable as of June 30, 2010, \$100,000 is temporarily restricted by donors to fund the Sorenson Group Home. The Organization'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; however, management has elected not to discount the future promises to give as of June 30, 2010 as the discount would be immaterial to the financial statements. Promises to give as of June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Total
Due in less than one year	\$ 255	\$ 101,833	\$ 102,088
Due in one to five years	-	2,000	2,000
Due in more than five years	-	-	-
Total Unconditional Promises to Give	\$ 255	\$ 103,833	\$ 104,088

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – OTHER RECEIVABLES

At June 30, 2010, the Organization had other receivables which included the following:

Sales tax receivable	\$	8,200
Deposits		1,825
Total	\$	10,025

NOTE 5 – CHILDREN’S PERPETUAL ASSISTANCE FUND, NOTE RECEIVABLE, AND NOTE PAYABLE

During the year ended June 30, 2004, the Organization received a donation of \$2,248,217 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. In addition, the Organization 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 the Organization. This agreement has allowed the Organization to fund a substantial portion of the purchase and construction of the Alpine Academy.

Under the terms of the loan agreement between the Organization’s unrestricted net assets and the Children’s Perpetual Assistance Fund, the Organization 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 the Organization. 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, 2010, and changes during the year then ended were as follows:

Balance as of June 30, 2009	\$	2,737,501
Principal payments from unrestricted net assets		(48,729)
Balance as of June 30, 2010	\$	2,688,772

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – PROPERTY AND EQUIPMENT

At June 30, 2010, property and equipment was carried at cost as follows:

	Estimated Useful Lives	Amount
Land	-	\$ 1,274,443
Buildings and improvements	10 - 40 years	8,503,539
Development costs	20 - 30 years	340,106
Furniture, fixtures, and equipment	3 - 10 years	911,284
Vehicles	3 - 5 years	363,955
Total Cost		11,393,327
Less: Accumulated depreciation		(3,111,394)
Net Property and Equipment		\$ 8,281,933

Depreciation expense, computed using the straight-line method, for the year ended June 30, 2010, was \$455,970. Depreciation and amortization on the accompanying statement of cash flows includes amortization of loan costs of \$1,792.

NOTE 7 – NOTES PAYABLE

Notes payable at June 30, 2010 are summarized as follows:

Note payable to a bank; interest rate based on 5-year LIBOR plus 2%, adjusted every five years (7.016% at June 30, 2010); monthly payments of \$11,404; due February 2022; secured by real estate	\$ 337,250
6.625% note payable to a bank; monthly payments of \$1,967; due April 2037; secured by real estate	295,775
Note payable to a bank; interest rate based on 1-year LIBOR plus 2.75% (4.75% at June 30, 2010); monthly payments of \$2,444; due August 2013; secured by real estate	219,749
Note payable to a bank; interest rate based on 1-year LIBOR plus 3% (5% at June 30, 2010); monthly payments of \$2,318 with final balloon payment of \$294,172 due on February 1, 2015	344,479
Total Notes Payable	\$ 1,197,253

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Future annual maturities of notes payable are as follows:

<u>Year Ending June 30:</u>	
2011	\$ 148,076
2012	158,380
2013	129,936
2014	185,288
2015	303,487
Thereafter	272,086
Total	\$ 1,197,253

NOTE 8 – LEASE OBLIGATION

During August 2009, the Organization entered into a five year lease agreement for office space. This space will be used to provide educational and therapy services to youth in the program. The lease is classified as an operating lease. Rent expense for the year ended June 30, 2010 was \$38,448.

The following is a schedule by years of future minimum rental payments required under the terms of the operating lease as of June 30, 2010:

<u>Year Ending June 30:</u>	
2011	\$ 29,015
2012	32,793
2013	33,777
2014	34,794
2015	6,360
Total	\$ 136,739

NOTE 9 – CONTRACT REVENUE

The Organization 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 the Organization as a service provider allowing for reimbursement of expenses related to providing the services under the contracts. All contracts have been renegotiated and renewed for the year ending June 30, 2011.

NOTE 10 – ECONOMIC DEPENDENCY

The Organization received approximately 77% of its revenue from governmental grants and service contracts. The Organization 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 the Organization's programs and activities.

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 – RETIREMENT PLAN

The Organization has a profit sharing plan under which the Organization must contribute 3% of eligible employees' compensation to the Plan. In addition, the Organization may contribute an additional amount determined by the Organization at its sole discretion. The employer contribution under these plans for the year ended June 30, 2010 was \$312,608 which is included in employee benefits in the statement of functional expenses.

NOTE 12 — FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. GAAP also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

Level 1: Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Utah Youth Village can access.

Level 2: Financial assets and financial liabilities whose values are based on the following:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical or similar assets or liabilities in non-active markets; or
- c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs may reflect our estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The following tables summarize Level 1, 2 and 3 financial assets and financial liabilities by their classification in the statement of financial position at June 30, 2010.

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in split-interest agreements	\$ 38,375	\$ -	\$ 1,973,756
Investments	860	-	-
Total	<u>\$ 39,235</u>	<u>\$ -</u>	<u>\$ 1,973,756</u>

UTAH YOUTH VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010.

Following is a summary of changes in the statement of financial position line item for beneficial interest in split-interest agreements using level 3 inputs:

Balance at beginning of year	\$	1,714,701
Changes in fair value		<u>259,055</u>
Balance at end of year	\$	<u><u>1,973,756</u></u>

NOTE 13 — LEGAL SETTLEMENT

During the year ended June 30, 2010 the Organization settled a claim relating to alleged sexual impropriety on the part of an employee of the Organization involving a student at the Alpine Academy. The settlement expense has been included in the accompanying statement of activities.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2010, the Organization paid \$491,433 to a construction company whose president is a member of the Board of Trustees of the Organization. The services provided include construction of a clinical building at the Alpine Academy as well as renovating the basement of the new Raymond Home.

The Organization also paid \$12,202 to a design company which is owned by a member of the Board of Trustees of the Organization. The services provided include design work and furnishings for the new clinical building at the Alpine Academy.

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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.

We have audited the financial statements of Utah Youth Village, Inc. (the "Village") as of June 30, 2010 and for the year then ended, and have issued our report thereon, dated September 16, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Barnett & Maxwell, P.C.
HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
September 16, 2010

HANSEN, BARNETT & MAXWELL, P.C.

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REPORT OF INDEPENDENT AUDITORS ON STATE LEGAL COMPLIANCE

To the Board of Trustees
Utah Youth Village, Inc.

We have audited the financial statements of Utah Youth Village, Inc., a nonprofit corporation, for the year ended June 30, 2010, and have issued our report thereon dated September 16, 2010. As part of our audit, we have audited Utah Youth Village, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. Utah Youth Village, Inc. received the following major assistance programs from the State of Utah:

- Family Preservation Services (Third and Fourth District Juvenile Courts)
- Foster Care Services (Department of Human Services)
- Residential and Mental Health Services (Department of Human Services)
- Youth Corrections (Division of Juvenile Justice)

The management of Utah Youth Village, Inc. is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Utah Youth Village, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Utah Youth Village, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended June 30, 2010.

This report is intended solely for the information and use of management of Utah Youth Village, Inc. and is not intended to be and should not be used by anyone other than the(se) specified parties. However, the report is a matter of public record and its distribution is not limited.

Hansen, Barnett + Maxwell, P.C.
HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
September 16, 2010