Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017

Woodbourne Center, Inc.

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Woodbourne Center
Plymouth, Minnesota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Woodbourne Center, which comprise the consolidated statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Woodbourne Center as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of Woodbourne Center as of June 30, 2017, were audited by other auditors, whose report dated January 4, 2018, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Minneapolis, Minnesota
October 29, 2018

	2018	2017
Assets		
Cash and cash equivalents	$ 166,557	$ 68,164
Operating investments	644,791	616,581
Accounts receivable, net		
Operating accounts receivable, net	1,392,720	1,494,655
Other accounts receivable	569,846	467,068
Promises to give	705,000	310,000
Prepaid expenses and other assets	124,675	8,195
Total current assets	3,603,589	2,964,663
Non-Current Assets		
Restricted cash	34,656	44,802
Promises to give, net	52,171	231,573
Beneficial interest in charitable trusts held by others	4,823,205	4,534,045
Total non current assets	4,910,032	4,810,420
Property and Equipment, Net	3,263,900	3,151,711
Total assets	$ 11,777,521	$ 10,926,794
Current Liabilities		
Current portion of long-term note payable	46,763	43,351
Accounts payable and other accrued expenses	241,335	153,113
Accrued salaries and benefits	416,029	422,704
Due to affiliaties	1,873,606	1,232,542
Total current liabilities	2,577,733	1,851,710
Non-Current Liabilities		
Long-term note payable, net of current portion	271,836	318,599
Total liabilities	2,849,569	2,170,309
Net Assets		
Unrestricted	3,374,575	3,116,860
Temporarily restricted	5,553,377	5,639,625
Total net assets	8,927,952	8,756,485
Total liabilities and net assets	$ 11,777,521	$ 10,926,794

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contract revenue	$ 8,712,886	$ -	$ -	$ 8,712,886
School revenue	2,250,869	-	-	2,250,869
School food revenue	87,526	-	-	87,526
Other	114,044	-	-	114,044
Grants and contributions	28,660	451,410	-	480,070
Investment and interest income	30,751	-	-	30,751
Change in value of beneficial interest in charitable trust held by others	-	289,159	-	289,159
Distributions from beneficial interest in charitable trust held by others	-	217,961	-	217,961
Net assets released from restrictions	1,044,778	(1,044,778)	-	-
Total revenue and support	12,269,514	(86,248)	-	12,183,266
Expenses				
Program services expense	9,075,549	-	-	9,075,549
Supporting services expense				
Management and general	2,702,413	-	-	2,702,413
Fundraising	233,837	-	-	233,837
Total expense	12,011,799	-	-	12,011,799
Change in Net Assets	257,715	(86,248)	-	171,467
Net Assets, Beginning of Year	3,116,860	5,639,625	-	8,756,485
Net Assets, End of Year	$ 3,374,575	$ 5,553,377	$ -	$ 8,927,952

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contract revenue	$ 7,817,222	$ -	$ -	$ 7,817,222
School revenue	2,079,820	-	-	2,079,820
School food revenue	84,238	-	-	84,238
Other	60,724	-	-	60,724
Grants and contributions	85,037	706,153	-	791,190
Investment and interest income	40,492	-	-	40,492
Change in value of beneficial interest in charitable trust held by others	-	305,421	-	305,421
Distributions from beneficial interest in charitable trust held by others	-	213,159	-	213,159
Loss on asset disposition	(378)	-	-	(378)
Net assets released from restrictions	621,228	(621,228)	-	-
Total revenue and support	10,788,383	603,505	-	11,391,888
Expenses				
Program services expense	8,328,543	-	-	8,328,543
Supporting services expense				
Management and general	3,441,577	-	-	3,441,577
Fundraising	210,049	-	-	210,049
Total expense	11,980,169	-	-	11,980,169
Change in Net Assets	(1,191,786)	603,505	-	(588,281)
Net Assets, Beginning of Year	4,308,646	5,036,120	-	9,344,766
Net Assets, End of Year	$ 3,116,860	$ 5,639,625	$ -	$ 8,756,485

	Program	General and Administrative	Fundraising	Total
Salaries and Wages	$ 4,998,109	$ 904,782	$ 116,114	$ 6,019,005
Employee Benefits and Taxes	1,854,334	355,888	51,325	2,261,548
Total personnel cost	6,852,443	1,260,670	167,439	8,280,553
Administrative Fees	-	741,006	-	741,006
Audit/Accounting	32,723	71,468	5,146	109,337
Auto and Travel	16,424	31,198	1,024	48,646
Bad Debts	-	22,448	-	22,448
Books and Subscriptions	9,942	380	1,500	11,822
Client Recreation Expenses	514	958	80	1,552
Consulting	4,712	51,670	-	56,381
Contract Labor	207,811	102,471	48,000	358,282
Depreciation	272,004	103,321	-	375,325
Event Fees	-	930	-	930
Contributions	-	-	2,697	2,697
Food	285,322	40	-	285,362
Foster Care Services	666,102	-	-	666,102
Insurance	59,229	79,702	1,905	140,836
Interest	26,019	-	-	26,019
License/Fees/Dues	15,270	63,525	1,318	80,113
Maintenance	94,997	42,558	-	137,555
Hiring Expenses	56,329	9,173	-	65,502
Office Expense	43,076	31,719	3,712	78,507
Recreational Expense	83,223	787	-	84,010
Rent Expense	-	2,028	-	2,028
Resident Supplies	85,515	-	-	85,515
School Expenses	4,756		-	4,756
Staff Development	48,806	7,948	-	56,754
Testing and Evaluation	3,900	-	-	3,900
Utilities	206,434	78,414	1,015	285,863
	$ 9,075,549	$ 2,702,413	$ 233,837	$ 12,011,799

	Program	General and Administrative	Fundraising	Total
Salaries and Wages	$ 4,826,397	$ 987,863	$ 120,088	$ 5,934,348
Employee Benefits and Taxes	1,515,559	302,589	46,231	1,864,379
Total personnel cost	6,341,956	1,290,452	166,319	7,798,727
Administrative Fees	-	768,752	-	768,752
Audit/Accounting	32,882	78,899	4,956	116,737
Auto and Travel	17,007	52,163	3,303	72,473
Bad Debts	-	655,783	-	655,783
Books and Subscriptions	11,748	299	3,665	15,712
Client Recreation Expenses	228	2,981	271	3,480
Consulting	2,318	129,691	-	132,009
Contract labor	137,079	52,924	18,775	208,778
Depreciation	267,246	101,490	-	368,736
Contributions	-	-	3,069	3,069
Food	270,602	-	-	270,602
Foster Care Services	594,600	-	-	594,600
Insurance	44,333	75,853	1,927	122,113
Interest	29,182	-	-	29,182
License/Dues/Fees	28,871	51,924	2,469	83,264
Maintenance	53,738	43,131	-	96,869
Hiring Expenses	18,213	2,197	769	21,179
Office Expense	58,082	42,216	2,835	103,133
Recreational Expense	79,245	-	-	79,245
Rent Expense	-	1,787	-	1,787
Resident Supplies	68,133	-	-	68,133
School Expenses	7,023	-	-	7,023
Staff Development	34,916	5,686	-	40,602
Testing and Evaluation	6,450	-	-	6,450
Utilities	224,691	85,349	1,691	311,731
	$ 8,328,543	$ 3,441,577	$ 210,049	$ 11,980,169

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 39,832	$ (588,281)
Adjustments to reconcile change in net assets		
to net cash generated by operating activities		
Bad debts	22,448	655,783
Depreciation	375,325	368,736
Loss on disposition of assets	-	378
Gain on investments	(30,751)	(33,644)
Change in value of beneficial interests in charitable		
trusts held by others	(289,159)	(305,421)
Increase (decrease) in cash from change in:		
Accounts receivable	108,775	(303,347)
Promises to give, net	(215,598)	(541,573)
Prepaid expenses and other assets	(116,480)	96,856
Accounts payable and other accrued expenses	(50,661)	(34,322)
Accrued salaries and benefits	(6,675)	(437,871)
Net Cash Used for Operating Activities	(162,944)	(1,122,706)
Cash Flows from Investing Activities		
Purchase of fixed assets	(348,236)	(138,657)
Purchase of investments	(87,900)	(167,088)
Net change in restricted cash	10,146	(44,802)
Proceeds from sale of investments	89,615	163,130
Net cash used for investing activities	(336,376)	(187,417)
Cash Flows from Financing Activities		
Due to affiliates, net	641,064	841,998
Payments on long-term note payable	(43,351)	(40,189)
Net Cash From Financing Activities	597,713	801,809
Net Increase (Decrease) in Cash and Cash Equivalents	98,393	(508,314)
Cash and Cash Equivalents - Beginning of Period	68,164	576,478
Cash and Cash Equivalents - End of Period	$ 166,557	$ 68,164

	2018	2017
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 26,019	$ 29,182
Supplemental Disclosure of Non-Cash Investing Activity		
Accounts payable for property and equipment	$ 138,881	$ -

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Woodbourne Center, Inc. (the Center) and the Woodbourne Center Charitable Trust (the Trust) are nonprofit Maryland corporations, other than a private foundation. The Center and Trust are collectively referred to the as "the Organization." The Organization is exempt from federal income taxes under code section 501(c)(3) and is licensed by the State of Maryland.

Mission

The mission of the Center is changing lives through our cornerstone values – honesty, responsibility, courage, care, and concern. Their residential treatment programs, located in Baltimore, Maryland, provide a continuum of specialized services to children and adolescents. Additionally, the Center provides foster care, family-based therapy for children not in foster care, and adoption placement services and counseling for foster care and adoptive families in Maryland.

The Trust provides public relations, communications, volunteer program development, and related support to the Center. The Trust also raises funds for the Center.

Basis of Accounting

The consolidated financial statements contained herein have been prepared on the accrual basis of accounting.

Principles of Consolidation and Affiliates

The Trust is organized for the exclusive benefit of Woodbourne Center, Inc. All significant intracompany balances and financial transactions have been eliminated in consolidating Woodbourne Center, Inc. The Woodbourne Center and Charitable Trust are part of an affiliate nonprofit group that shares common management through affiliation agreements and agreements for administrative services. Members of this affiliated nonprofit group are: Nexus, Nexus Diversified Community Services, PATH North Dakota, Inc., and Kindred Family Focus. Transactions entered into with these affiliates have been identified within these consolidated financial statements as related party transactions (Note 11). Based on the nature of the relationship with the above-noted entities, there are no requirements to consolidate these entities into the Organization's financial statements.

Cash and Cash Equivalents

The Organization considers all liquid cash accounts and certificates of deposit 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. Noncurrent cash and cash equivalents relate to restricted donations received by the Organization to build a Vocational building which is in process at fiscal year ending June 30, 2018, and are excluded from this definition.

Operating investments

The Organization records investment purchases at cost. Operating investments in marketable securities with readily determined fair values are reported at their fair values in the consolidated statement of financial position.

Investment income includes the Organization’s gains and losses on investments bought and sold as well as held during the year. Investment income and gains on investments are reported as increases in unrestricted net assets. Purchases and sales of securities are reflected on a trade date basis. Interest income is recognized when earned.

Accounts Receivable and Doubtful Accounts

Accounts receivable (includes operating accounts receivable and other accounts receivable) consists of amounts due for program services and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to allowance for doubtful accounts based on its assessment of the current status of individual accounts. The Organization uses the accrual basis of accounting for accounts receivable and does not charge interest on the accounts receivable balances.

The Organization considers all receivables outstanding 90 days or more to be past due and assesses an allowance for doubtful accounts based on an assessment of each individual account and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2018 and 2017, the allowance was $240,977 and $308,870, respectively.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018 and 2017, there was no allowance for uncollectable promises to give.

Beneficial Interest in Charitable Trust Held by Others

The Organization has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by a donor and is administered by an outside agent designated by the donor. Therefore, the Organization has neither possession nor control over the assets of the trust. When the notice of a beneficial interest is received, 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 as reported by the agent with consideration given as to any guaranteed distributions expected. 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.

Property and Equipment

Property and equipment are stated at cost when purchased and fair market value when donated. The Organization follows the practice of capitalizing all expenditures for property, improvements, and equipment in excess of $500; the fair value of donated fixed assets is similarly capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization 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 years ended June 30, 2018 and 2017, respectively.

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.
>
> *Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organization's Board of Directors.
>
> The Organization 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 statements of activities as net assets released from restrictions.
>
> *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 the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements. The Organization did not have any permanently restricted net assets for the years ended June 30, 2018 and 2017, respectively.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees (including contract revenue, school revenue, and school food revenue) 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.

Grants and Contributions

Grants and contributions are recognized when cash, securities or other assets, or 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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization'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. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2018 and 2017, respectively.

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

Woodbourne Center, Inc. (the Center) is organized as a Maryland nonprofit corporation, and Woodbourne Center Charitable Trust (the Trust) is organized as a Maryland Trust. The Center and Trust have 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), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), respectively, and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. The Center and Trust are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Center and Trust are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Center and Trust have determined they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Center and Trust believe that they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. The Center and Trust would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organization invests in various investment securities and are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such a change could materially affect the amounts reported in the statement of financial position.

The Organization has the majority of our accounts receivable with various units of state and local government. The amount of loss we would incur should this group default is not determinable. The Organization requires contracts be executed with our primary government funders to minimize the risk of this credit concentration. The Organization does not require collateral for the extension of credit.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Organization has evaluated subsequent events through October 29, 2018, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset 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, 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 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 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 can be accessed at the measurement date.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
>
> Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset 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. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investment assets are classified within Level 1 because they are comprised of open-end mutual funds and money market funds with readily determinable fair values based on daily redemption values. The fair value of the beneficial interest in charitable trust held by others is valued at the Organization's proportionate share of the underlying assets as reported by the third-party trustee. These investments are valued at the closing price reported in an active market in which the individual securities are traded; therefore, they are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at June 30, 2018 and 2017:

2018	Fair Value	Unadjusted Market Inputs (Level 1)	Significant Observable Inputs (Level 2)
Operating investments			
Money market funds	$ 215,972	$ 215,972	$ -
Mutual funds	428,819	428,819	-
Total operating investments	$ 644,791	$ 644,791	$ -
Beneficial interest in charitable trust held by others	$ 4,823,205	$ -	$ 4,823,205

2017	Fair Value	Unadjusted Market Inputs (Level 1)	Significant Observable Inputs (Level 2)
Operating investments			
Money market funds	$ 215,868	$ 215,868	$ -
Total mutual funds	400,713	400,713	-
Total operating investments	$ 616,581	$ 616,581	$ -
Beneficial interest in charitable trust held by others	$ 4,534,045	$ -	$ 4,534,045

The Organization recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels during the years ended June 30, 2018 and 2017, respectively.

Note 3 - Promises to Give

Included in the consolidated statement of financial position are the following unconditional promises to give:

	2018	2017
Current	$ 705,000	$ 310,000
Noncurrent	$ 55,000	$ 255,000
Less discount to net present value at 4.25%	(2,829)	(23,427)
	$ 52,171	$ 231,573

At June 30, 2018 and 2017, one donor accounted for 86% and 31% of total promises to give, respectively.

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Land	$ 37,057	$ 37,057
Building and improvements	8,875,428	8,855,047
Construction in progress	435,672	47,784
Equipment	1,243,605	1,180,956
	10,591,762	10,120,844
Less accumulated depreciation	7,327,862	6,969,133
	$ 3,263,900	$ 3,151,711

Depreciation and amortization expense totaled $375,325 and $368,736 for the years ended June 30, 2018 and 2017, respectively.

The construction in progress is related to the Vocational Building project in process as of June 30, 2018. The Vocational Building project was budgeted for approximately $1,500,000. The project is expected to be complete in October 2018.

Note 5 - Notes Payable

In February 1994, the Organization entered into a mortgage note payable, requiring monthly installments of $5,997 including principal and interest at 7.6% per annum until February 2024 at which point all remaining principal and accrued interest is due. This loan is secured by property at the Center's Maryland facility.

Five-year maturities of this liability are as follows:

Years Ending June 30,	Amount
2019	$ 46,763
2020	50,444
2021	54,414
2022	58,695
2023	63,316
Thereafter	44,967
	$ 318,599

Note 6 - Leases

The Organization leases office equipment under various operating leases expiring at various dates through 2020. Future minimum lease commitments are as follows:

Years Ending June 30,	
2019	$ 21,388
2020	12,476
	$ 33,864

Lease expense for the years ended June 30, 2018 and 2017, totaled $20,798 and $8,912, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017, consist of:

	2018	2017
Summer activities	$ 3,200	$ 8,612
Family liaison	20,000	20,000
Yoga workshops	5,881	5,918
Summer camp	236	236
Voc project	593,257	564,416
Recreation room	4,100	-
School supplies	194	169
Woodbourne Cares	530	-
Woodbourne EDU - Time Restricted 2018	-	154,200
Woodbourne TFC - Time Restricted 2018	-	249,254
Woodbourne TFC - Time Restricted 2019	96,918	96,918
Milton Roberts	4,823,205	4,534,046
Trust, other	5,857	5,857
	$ 5,553,377	$ 5,639,625

Net assets were released from restrictions as follows during the years ended June 30, 2018 and 2017:

	2018	2017
Purpose restriction	$ 641,323	$ 331,834
Time restriction	403,455	289,394
	$ 1,044,778	$ 621,228

Note 8 - Major Customer

A major portion of the Organization's business is dependent upon one customer; the loss of this customer would have a material adverse effect on the Organization. During the year ended June 30, 2018 and 2017, this customer accounted for approximately 82% and 83% of contract revenue. Additionally, this customer accounted for $857,878, or 53%, and $1,044,384, or 58%, of accounts receivable before the allowance for doubtful accounts as of June 30, 2018 and 2017, respectively.

Note 9 - Retirement Plans

Employees that meet minimum required service hours are eligible to enter into the Nexus Retirement Plan. The Organization provides a matching contribution of 100% of the employees' elective deferral for the first 1% of wages. For the employees' elective contribution of the next 2% through 6% of wages, the Organization provides matching contribution of 50%. For employees' elective contributions above 6% there is no match provided. All participants become 100% vested after two years of service. The Organization contributed $137,782 and $131,979 to the plan for the years ended June 30, 2018 and 2017, respectively, which is included in employee benefits in the consolidated statement of functional expenses.

Note 10 - Labor Concentration

Approximately 29% and 33.7%, respectively, of the Organization's employees are subject to a collective bargaining agreement with the United Food and Commercial Workers Union, Local 27 for the year ended June 30, 2018 and 2017. The collective bargaining agreement in place expires on December 31, 2021.

Note 11 - Related Party Transactions

The Center and the Trust had the following transactions with its related entities (Nexus and Nexus Diversified Community Services) during the years ended June 30, 2018 and 2017:

	2018	2017
Beginning balance due (to) from affiliates	$ (1,232,542)	$ (390,544)
Charges for various operational expenses	(1,388,474)	(913,217)
Charges for management services provided by Nexus Diversified Community Service	(741,006)	(768,752)
Payments	1,482,897	797,932
Expenses paid on behalf of affiliate		42,039
Donation to affiliate	5,518	-
Due (to) from affiliates	$ (1,873,606)	$ (1,232,542)

Supplementary Information
June 30, 2018 and 2017

Woodbourne Center, Inc.

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Independent Auditor's Report on Supplementary Information

The Board of Directors
Woodbourne Center, Inc
Fargo, North Dakota

We have audited the consolidated financial statements of Woodbourne Center, Inc. as of and for the years ended June 30, 2018 and 2017, and our report thereon dated October 29, 2018, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules on pages 21-29 are presented for the purpose of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
October 29, 2018

	Woodbourne Center	Woodbourne Trust	Consolidated
Assets			
Cash and cash equivalents	$ 166,557	$ -	$ 166,557
Operating investments	11,031	633,760	644,791
Accounts receivable, net			
Operating accounts receivable, net	1,392,720	-	1,392,720
Other accounts receivable	569,846	-	569,846
Promises to give	705,000	-	705,000
Prepaid expenses and other assets	124,675	-	124,675
Total current assets	2,969,829	633,760	3,603,589
Non-Current Assets			
Cash restricted to building project	34,656	-	34,656
Due from Affiliates	(640,026)	640,026	-
Promises to give, net	52,171	-	52,171
Beneficial interest in charitable trusts held by others	-	4,823,205	4,823,205
Total non current assets	(553,199)	5,463,231	4,910,032
Property and Equipment, Net	3,263,900	-	3,263,900
Total assets	$ 5,680,530	$ 6,096,991	$ 11,777,521
Current Liabilities			
Current portion of long-term note payable	$ 46,763	$ -	$ 46,763
Accounts payable and other accrued expenses	238,335	3,000	241,335
Accrued salaries and benefits	416,029	-	416,029
Due to affiliaties	1,873,606	-	1,873,606
Total current liabilities	2,574,733	3,000	2,577,733
Non-Current Liabilities			
Long-term note payable, net of current portion	271,836	-	271,836
Total non-current liabilities	271,836	-	271,836
Total liabilities	2,846,569	3,000	2,849,569
Net Assets			
Unrestricted	2,109,646	1,264,929	3,374,575
Temporarily restricted	724,315	4,829,062	5,553,377
Total net assets	2,833,961	6,093,991	8,927,952
Total liabilities and net assets	$ 5,680,530	$ 6,096,991	$ 11,777,521

	Woodbourne Center	Woodbourne Trust	Consolidated
Assets			
Cash and cash equivalents	$ 68,164	$ -	$ 68,164
Operating investments	11,012	605,569	616,581
Accounts receivable, net			
Operating accounts receivable, net	1,494,655	-	1,494,655
Other accounts receivable	467,068	-	467,068
Promises to give	310,000	-	310,000
Prepaid expenses and other assets	8,195	-	8,195
Total current assets	2,359,094	605,569	2,964,663
Non-Current Assets			
Cash restricted to building project	44,802	-	44,802
Due from Affiliates	(642,026)	642,026	-
Promises to give, net	231,573	-	231,573
Beneficial interest in charitable trusts held by others	-	4,534,045	4,534,045
Total non current assets	(365,651)	5,176,071	4,810,420
Property and Equipment, Net	3,151,711	-	3,151,711
Total assets	$ 5,145,154	$ 5,781,640	$ 10,926,794
Current Liabilities			
Current portion of long-term note payable	$ 43,351	$ -	$ 43,351
Accounts payable and other accrued expenses	150,113	3,000	153,113
Accrued salaries and benefits	422,704	-	422,704
Due to affiliaties	1,232,542	-	1,232,542
Total current liabilities	1,848,710	3,000	1,851,710
Non-current liablites			
Long-term note payable, net of current portion	318,599	-	318,599
Total liabilities	2,167,309	3,000	2,170,309
Net Assets			
Unrestricted	1,878,122	1,238,738	3,116,860
Temporarily restricted	1,099,723	4,539,903	5,639,625
Total net assets	2,977,845	5,778,641	8,756,485
Total liabilities and net assets	$ 5,145,154	$ 5,781,641	$ 10,926,794

	Woodbourne Center			Woodbourne Trust				
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Elimination	Consolidated
Revenue and Support								
Contract revenue	$ 8,712,886	$ -	$ 8,712,886	$ -	$ -	$ -	$ -	$ 8,712,886
School revenue	2,250,869	-	2,250,869	-	-	-	-	2,250,869
School food revenue	87,526	-	87,526	-	-	-	-	87,526
Other	114,044	-	114,044	-	-	-	-	114,044
Grants and contributions	246,621	451,410	698,031	-	-	-	(217,961)	480,070
Investment and interest income	201	-	201	30,550	-	30,550	-	30,751
Change in value of beneficial interest in charitable trust held by others	-	-	-	-	289,159	289,159	-	289,159
Distributions from beneficial interest in charitable trust held by others	-	-	-	-	217,961	217,961	-	217,961
Net assets released from restrictions	826,817	(826,817)	-	217,961	(217,961)	-	-	-
Total revenue and support	12,238,964	(375,407)	11,863,557	248,511	289,159	537,670	(217,961)	12,183,266
Expenses								
Program services expense	9,075,549	-	9,075,549	217,961	-	217,961	(217,961)	9,075,549
Supporting services expense								
Management and general	2,698,054	-	2,698,054	4,359	-	4,359	-	2,702,413
Fundraising	233,837	-	233,837	-	-	-	-	233,837
Total expense	12,007,440	-	12,007,440	222,320	-	222,320	(217,961)	12,011,799
Change in Net Assets	231,524	(375,407)	(143,883)	26,191	289,159	315,350	-	39,832
Net Assets, Beginning of Year	1,878,122	1,099,722	2,977,844	1,238,738	4,539,903	5,778,641	-	8,756,485
Net Assets, End of Year	$ 2,109,646	$ 724,315	$ 2,833,961	$ 1,264,929	$ 4,829,062	$ 6,093,991	$ -	$ 8,927,952

Woodbourne Center, Inc.

Consolidating Statements of Activities

Year Ended June 30, 2017

	Woodbourne Center			Woodbourne Trust				
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Elimination	Consolidated
Revenue and Support								
Contract revenue	$ 7,817,222	$ -	$ 7,817,222	$ -	$ -	$ -	$ -	$ 7,817,222
School revenue	2,079,820	-	2,079,820	-	-	-	-	2,079,820
School food revenue	84,238	-	84,238	-	-	-	-	84,238
Other	60,724	-	60,724	-	-	-	-	60,724
Grants and contributions	298,195	706,154	1,004,349	-	-	-	(213,159)	791,190
Investment and interest income	34	-	34	40,458	-	40,458	-	40,492
Change in value of beneficial interest in charitable trust held by others	-	-	-	-	305,421	305,421	-	305,421
Distributions from beneficial interest in charitable trust held by others	-	-	-	-	213,159	213,159	-	213,159
Loss on asset disposition	(378)	-	(378)	-	-	-	-	(378)
Net assets released from restrictions	408,069	(408,069)	-	213,159	(213,159)	-	-	-
Total revenue and support	10,747,924	298,085	11,046,009	253,617	305,421	559,038	(213,159)	11,391,888
Expenses								
Program services expense	8,328,543	-	8,328,543	213,159	-	213,159	(213,159)	8,328,543
Supporting services expense								
Management and general	3,437,705	-	3,437,705	3,872	-	3,872	-	3,441,577
Fundraising	210,049	-	210,049	-	-	-	-	210,049
Total expense	11,976,297	-	11,976,297	217,031	-	217,031	(213,159)	11,980,169
Change in Net Assets	(1,228,373)	298,085	(930,288)	36,586	305,421	342,007	-	(588,281)
Net Assets, Beginning of Year	3,106,494	801,638	3,908,132	1,202,153	4,234,481	5,436,634	-	9,344,766
Net Assets, End of Year	$ 1,878,121	$ 1,099,723	$ 2,977,844	$ 1,238,739	$ 4,539,902	$ 5,778,641	$ -	$ 8,756,485

	Treatment Foster Care (1)	Adolescent Diagnostic Treatment Center	Residential Treatment Center Education	Other	Total
Revenue and Other Support					
Private grants and contributions	$ 9,952	$ 87,526	$ -	$ 470,118	$ 567,596
Governmental agencies	1,350,300	7,362,586	2,250,869	-	10,963,755
Interest and investment income	-	-	-	201	201
Income from charitable trust	-	-	-	217,961	217,961
Other income	30	40,318	-	73,696	114,044
Total revenues and other support	1,360,282	7,490,430	2,250,869	761,976	11,863,557
Expenses					
Salaries and wages	305,735	3,720,039	972,336	-	4,998,110
Employee benefits and payroll taxes	126,691	1,316,426	415,209	-	1,858,326
Professional fees and contract labor	10,481	111,777	107,581	-	229,839
Direct child care and educational expenses	666,126	445,913	12,704	-	1,124,743
Office support and publications	6,737	23,020	26,695	-	56,452
Communications and postage	8,233	-	14	-	8,247
Occupancy	8,893	213,802	68,435	540	291,670
Equipment rental and maintenance	1,769	-	-		1,769
Travel, conferences, and vehicle expense	11,199	6,277	1,075	-	18,551
Miscellaneous	18,985	128,555	42,279	-	189,819
Depreciation	10,172	199,447	62,385	-	272,004
Interest expense	-	26,019	-	-	26,019
Total program services	1,175,021	6,191,275	1,708,713	540	9,075,549
General and administrative	126,077	2,023,518	475,505	72,954	2,698,054
Fundraising	-	-	-	233,837	233,837
Total expenses	1,301,098	8,214,793	2,184,218	306,791	12,007,440
Operating change in net assets	$ 59,184	$ (724,363)	$ 66,651	$ 455,185	$ (143,883)

	Treatment Foster Care (1)	Adolescent Diagnostic Treatment Center	Residential Treatment Center Education	Management and General	Total
Department of Human Resources (DHR)	$ 1,235,275	$ 29,734	$ 560,709	$ -	$ 1,825,718
Department of Juvenile Services (DJS)	118,105	6,895	691,448	-	816,448
Medical Assistance (MA)	-	6,939,898	-	-	6,939,898
SSI Deduction - Current Year	-	(3,381)	-	-	(3,381)
Revenue Adjustments Current Year	(3,080)	242,062	-	-	238,982
Out-of-State Revenue	-	147,378	93,852	-	241,230
Various Boards of Education	-	-	775,478	-	775,478
One on One Advocacy	-	-	122,371	-	122,371
Speech Pathology	-	-	7,011	-	7,011
Donations and Contributions	9,952	-	-	470,118	480,070
Grant Revenue	-	87,526	-	-	87,526
Income from Charitable Trust	-	-	-	217,961	217,961
Interest and Investment Income	-	-	-	201	201
Other Income	30	40,318	-	73,696	114,044
Total revenue and other support	$ 1,360,282	$ 7,490,430	$ 2,250,869	$ 761,976	$ 11,863,557
Billable Days by All Sources (Unaudited)	11,631	16,226	9,720		

(1) Pursuant to Sections 6.1 and 6.2 of the DHR contract, the Organization allocated $11,957 of retained earnings from the fiscal year ended June 30, 2017, to defray operating costs of the program in fiscal 2018 and other future years, including any expansion of services due to licensing requirements and escalation in per-client cost rate increases.

Woodbourne Center, Inc.
Schedule of Actual Expenses to Approved Interagency Rate Committee (IRC) Budgeted Expenses
Year Ended June 30, 2018

	Treatment Foster Care (TFC)	TFC IRC Budget (unaudited)
Salaries	$ 347,174	$ 841,121
Contract Labor	10,100	-
Payroll Taxes	22,307	134,831
Fringe Benefits	124,928	86,888
Staff Development	2,128	3,415
Contracted Services	2,567	-
Foster Parents	666,102	1,242,023
Publicity	544	10,000
Food	24	8,000
Recreation	36	-
Rent	93	150
Utilities	12,484	12,160
Repair and Maintenance	3,718	3,940
Insurance and Taxes	3,650	5,160
Supplies	4,318	5,000
Depreciation	12,984	21,000
Equipment Rental	-	150
Print and Copy	1,919	3,000
Telephone	8,206	12,000
Postage	27	350
Dues and Fees	38,813	6,000
Conferences	673	10,000
Travel	9,827	15,000
Other	27,468	179,100
Total IRC allowable expenses	1,300,090	2,599,288
IRC Disallowed Program Expenses	-	-
IRC Disallowed General and Administrative Expenses	1,008	-
Total Expenses	$ 1,301,098	$ 2,599,288
Average Budgeted Census		61.2
Average Actual Census - DHR (Unaudited)	29.1	
Average Actual Census - BMHS (Unaudited)	-	
Average Actual Census - DJS (Unaudited)	2.8	

Revenue on Accrual Basis of Accounting	$ 1,360,282
Adjustments to Reconcile Accrual Basis Revenue to Funds Received	
Receivables, beginning balance	211,486
Receivables, ending balance	133,532
Changes in Receivable	77,954
Funds Received	$ 1,438,236
Expenditures	
Salaries and other employee related expenses	$ 432,426
Direct child care and educational expenses	666,126
Professional fees and contract labor	10,481
Office support and publications	6,737
Communications and postage	8,233
Occupancy	8,893
Equipment rental and maintenance	1,769
Travel, conferences, and vehicle expense	11,199
Miscellaneous	18,985
Depreciation	10,172
General and administrative expenses	126,077
Total Expenditures	1,301,098
Excess of Revenue over Expenditures	$ 137,138

Woodbourne Center, Inc.
Comparison of Revenue and Expense – Budget and Actual – Treatment Foster Care Program
Year Ended June 30, 2018

	Direct Service	General and Admin	Actual	Budget (unaudited)	Variance
Fees Received (Accrual Basis)	$ 1,360,282	$ -	$ 1,360,282	$ 2,599,288	$ (1,239,006)
Salaries and other Employee-Related Expenses	432,426	62,403	494,829	1,062,840	(568,011)
Direct Child Care and Educational Expenses	666,126	2	666,128	1,250,023	(583,895)
Professional Fees and Contract Labor	10,481	47,181	57,662	6,000	51,662
Office Support and Publications	6,737	-	6,737	20,350	(13,613)
Communications and Postage	8,233	44	8,277	-	8,277
Occupancy	8,893	7,334	16,227	12,310	3,917
Equipment Rental and Maintenance	1,769	-	1,769	4,090	(2,321)
Travel, Conferences, and Vehicle Expense	11,199	1,429	12,628	-	12,628
Miscellaneous	18,985	4,871	23,856	222,675	(198,820)
Depreciation	10,172	2,813	12,985	21,000	(8,015)
Total Expenditures	1,175,021	126,077	1,301,098	2,599,288	(1,298,191)
Excess of Revenue over Expenditure	$ 185,261	$ (126,077)	$ 59,184	$ -	$ 59,185