

**RAWHIDE, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**RAWHIDE, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rawhide, Inc.  
New London, Wisconsin

We have audited the accompanying financial statements of Rawhide, Inc. (a Wisconsin corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors  
Rawhide, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rawhide, Inc., as of December 31, 2017, 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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oshkosh, Wisconsin  
May 7, 2018

**RAWHIDE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	1,377,151
Appropriated Cash for Capital		75,000
Receivables:		
Program Revenue		332,265
Employees		9,580
Promises to Give		87,500
Other		138,560
Inventories:		
Supplies		15,200
Vehicles		885,812
Prepaid Expense and Other Assets		59,505
Total Current Assets		2,980,573

**INVESTMENTS**

11,439,348

**PROPERTY, PLANT, AND EQUIPMENT, NET**

7,165,148

**OTHER ASSETS**

Beneficial Interests in Assets Held by Community Foundations		89,597
Promises to Give		45,000
Total Other Assets		134,597

Total Assets

\$ 21,719,666

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	232,482
Accrued Liabilities		697,287
Total Current Liabilities		929,769

**NET ASSETS**

Unrestricted		9,078,845
Unrestricted - Board Designated		7,959,143
Total Unrestricted		17,037,988
Temporarily Restricted		2,326,959
Permanently Restricted		1,424,950
Total Net Assets		20,789,897

Total Liabilities and Net Assets

\$ 21,719,666

*See accompanying Notes to Financial Statements.*

**RAWHIDE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	Unrestricted						Temporarily Restricted	Permanently Restricted		
	Operating						Capital Campaign and Long-Term Investment	Capital Campaign and Long-Term Investment		
	Campus Programs	Community Programs	Vehicle Program	Development Activities	Property, Plant, and Equipment	Total			Total	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>										
Contributions:										
Undesignated	\$ -	\$ -	\$ 5,632,847	\$ 1,114,381	\$ -	\$ -	\$ 6,747,228	\$ -	\$ -	\$ 6,747,228
Restricted/Designated	108,685	-	461,369	103,029	-	175,596	848,679	767,456	7,961	1,624,096
Total Contributions	108,685	-	6,094,216	1,217,410	-	175,596	7,595,907	767,456	7,961	8,371,324
Revenues:										
Campus/Community Programs	3,883,958	213,539	-	-	-	-	4,097,497	-	-	4,097,497
School Tuition	47,459	-	-	-	-	-	47,459	-	-	47,459
Investment Income	597,552	-	-	-	-	9,929	607,481	241,578	-	849,059
Change in Value of Beneficial Interests	-	-	-	-	-	-	-	12,212	-	12,212
Gain on Sale of Assets	-	-	-	-	16,942	-	16,942	-	-	16,942
Other	126,386	-	-	18,855	-	-	145,241	56,707	-	201,948
Net Assets Released from Restrictions:										
Satisfaction of Program Restriction	-	-	-	774,756	-	-	774,756	(774,756)	-	-
Total Revenues	4,655,355	213,539	-	793,611	16,942	9,929	5,689,376	(464,259)	-	5,225,117
Total Revenues, Gains, and Other Support	4,764,040	213,539	6,094,216	2,011,021	16,942	185,525	13,285,283	303,197	7,961	13,596,441
<b>EXPENSES AND LOSSES</b>										
Program Services	6,426,281	882,112	4,153,138	-	621,864	-	12,083,395	-	-	12,083,395
Management and General	1,354,186	147,456	407,691	-	3,473	-	1,912,806	-	-	1,912,806
Fundraising	-	-	-	954,326	20,388	70,079	1,044,793	-	-	1,044,793
Total Expenses and Losses	7,780,467	1,029,568	4,560,829	954,326	645,725	70,079	15,040,994	-	-	15,040,994
<b>CHANGE IN NET ASSETS</b>	<u>\$ (3,016,427)</u>	<u>\$ (816,029)</u>	<u>\$ 1,533,387</u>	<u>\$ 1,056,695</u>	<u>\$ (628,783)</u>	<u>\$ 115,446</u>	(1,755,711)	303,197	7,961	(1,444,553)
Net Assets - Beginning of Year							18,793,699	2,023,762	1,416,989	22,234,450
<b>NET ASSETS - END OF YEAR</b>							<u>\$ 17,037,988</u>	<u>\$ 2,326,959</u>	<u>\$ 1,424,950</u>	<u>\$ 20,789,897</u>

See accompanying Notes to Financial Statements.

**RAWHIDE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	Program Services						Total
	Campus Programs			Community Programs			
	Residential Programs	Group Home	Academy Programs	CATCH & CATCH Plus Programs	Outpatient & Alumni Programs	Vehicle Program	
<b>PROGRAM SERVICES</b>							
Plant Maintenance:							
Wages	\$ 281,318	\$ 40,649	\$ 32,679	\$ 989	\$ 4,339	\$ -	\$ 359,974
Fringe Benefits	77,357	24,610	9,032	320	1,142	-	112,461
Rent	3,687	424	467	133	61,915	-	66,626
Fuel and Utilities	133,384	15,373	17,493	5,345	14,445	-	186,040
Repairs and Maintenance	117,430	-	14,670	4,188	9,135	-	145,423
Insurance	66,891	8,965	17,543	4,521	10,557	-	108,477
Purchased Services	46,910	5,395	5,938	1,695	3,697	-	63,635
Supplies	30,844	4,638	7,633	835	1,822	-	45,772
Total Plant Maintenance	<u>757,821</u>	<u>100,054</u>	<u>105,455</u>	<u>18,026</u>	<u>107,052</u>	<u>-</u>	<u>1,088,408</u>
Meals:							
Wages	170,306	24,289	23,549	-	-	-	218,144
Fringe Benefits	49,523	7,278	6,889	-	-	-	63,690
Food	208,296	30,481	39,530	1,418	1,485	-	281,210
Repairs and Maintenance	507	95	233	-	-	-	835
Supplies	15,810	3,114	2,415	114	249	-	21,702
Total Meals	<u>444,442</u>	<u>65,257</u>	<u>72,616</u>	<u>1,532</u>	<u>1,734</u>	<u>-</u>	<u>585,581</u>
Personal Needs:							
Wages	40,185	-	4,465	-	-	-	44,650
Fringe Benefits	10,531	-	1,170	-	-	-	11,701
Clothing	32,967	1,737	6,457	607	-	-	41,768
Home Visit Travel	40	136	-	-	-	-	176
Supplies and Other	9,262	2,592	3,925	253	1	-	16,033
Total Personal Needs	<u>92,985</u>	<u>4,465</u>	<u>16,017</u>	<u>860</u>	<u>1</u>	<u>-</u>	<u>114,328</u>
Residential Care Staff:							
Wages	1,192,584	175,087	137,388	3,690	-	-	1,508,749
Fringe Benefits	357,699	39,775	47,293	1,252	-	-	446,019
Parent Services	-	-	-	3,419	-	-	3,419
Training	17,396	2,334	2,173	3,713	1,353	-	26,969
Supplies and Other	47,614	7,247	8,424	1,397	3,259	-	67,941
Total Residential Care Staff	<u>1,615,293</u>	<u>224,443</u>	<u>195,278</u>	<u>13,471</u>	<u>4,612</u>	<u>-</u>	<u>2,053,097</u>
Professional Fees:							
Medical and Dental	1,927	212	234	67	-	-	2,440
Supplies - Medical	3,854	226	948	-	-	-	5,028
Total Professional Fees	<u>5,781</u>	<u>438</u>	<u>1,182</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>7,468</u>
Recreation:							
Wages	67,902	9,850	7,545	-	-	-	85,297
Fringe Benefits	16,653	1,875	1,850	-	-	-	20,378
Supplies and Activities	18,985	1,551	2,865	-	-	-	23,401
Total Recreation	<u>103,540</u>	<u>13,276</u>	<u>12,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,076</u>

See accompanying Notes to Financial Statements.

**RAWHIDE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2017**

	Program Services						Total
	Campus Programs			Community Programs			
	Residential Programs	Group Home	Academy Programs	CATCH & CATCH Plus Programs	Outpatient & Alumni Programs	Vehicle Program	
<b>PROGRAM SERVICES (CONTINUED)</b>							
Social Work:							
Wages	\$ 851,638	\$ 80,236	\$ 100,978	\$ 63,479	\$ 477,439	\$ -	\$ 1,573,770
Fringe Benefits	230,553	19,157	29,845	25,454	90,452	-	395,461
Purchased Services	41,551	11,572	3,958	1,851	23,634	-	82,566
Supplies	37,871	4,597	5,394	3,580	21,111	-	72,553
Total Social Work	<u>1,161,613</u>	<u>115,562</u>	<u>140,175</u>	<u>94,364</u>	<u>612,636</u>	<u>-</u>	<u>2,124,350</u>
Special Education:							
Wages	630,823	30,402	76,002	-	-	-	737,227
Fringe Benefits	157,817	7,606	19,014	-	-	-	184,437
Guys' Allowance	11,045	1,613	349	100	217	-	13,324
Purchased Services	-	726	-	26	5,349	-	6,101
Supplies and Other	47,107	5,418	5,963	1,885	3,715	-	64,088
Total Special Education	<u>846,792</u>	<u>45,765</u>	<u>101,328</u>	<u>2,011</u>	<u>9,281</u>	<u>-</u>	<u>1,005,177</u>
Special Functions:							
Feed and Animal Expense	8,699	1,100	1,146	312	681	-	11,938
Transportation:							
Wages	30,990	3,564	3,923	1,120	559	-	40,156
Fringe Benefits	10,013	1,152	1,267	361	181	-	12,974
Gas and Oil	31,128	8,242	9,284	2,266	6,139	-	57,059
Maintenance and Repairs	36,677	4,218	4,643	1,326	2,891	-	49,755
Insurance	21,600	-	-	-	-	-	21,600
Licenses and Permits	5,475	629	693	198	431	-	7,426
Total Transportation	<u>135,883</u>	<u>17,805</u>	<u>19,810</u>	<u>5,271</u>	<u>10,201</u>	<u>-</u>	<u>188,970</u>
Vehicle Program:							
Wages	-	-	-	-	-	938,633	938,633
Fringe Benefits	-	-	-	-	-	254,827	254,827
Contract Services	-	-	-	-	-	1,465,036	1,465,036
Maintenance and Repairs	-	-	-	-	-	94,345	94,345
Advertising	-	-	-	-	-	1,071,270	1,071,270
Supplies and Other	-	-	-	-	-	329,027	329,027
Total Vehicle Program	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,153,138</u>	<u>4,153,138</u>
Total Program Services Expenses Before Depreciation	5,172,849	588,165	665,267	135,914	746,198	4,153,138	11,461,531
Depreciation - Program Services	462,206	13,404	51,040	850	6,218	88,146	621,864
Total Program Services	<u>\$ 5,635,055</u>	<u>\$ 601,569</u>	<u>\$ 716,307</u>	<u>\$ 136,764</u>	<u>\$ 752,416</u>	<u>\$ 4,241,284</u>	<u>\$ 12,083,395</u>

See accompanying Notes to Financial Statements.



**RAWHIDE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2017**

	Supporting Services			Total
	Management and General	Development Activities	Capital Campaign and Long-Term Investment	
<b>SUPPORTING SERVICES</b>				
Wages	\$ 1,015,883	\$ 535,245	\$ 45,663	\$ 1,596,791
Fringe Benefits	266,822	120,107	8,194	395,123
Contract Services	170,748	68,380	1,612	240,740
Insurance - Workers' Compensation	87,459	-	-	87,459
Unemployment Compensation	31,580	2,157	401	34,138
Telephone	21,280	5,217	13	26,510
Utilities	-	12,348	2,298	14,646
Postage and Shipping	15,851	26,880	137	42,868
Audit, Legal, and Appraisal	44,713	3,053	568	48,334
Supplies and Materials	66,725	60,731	4,275	131,731
Conferences and Conventions	925	11,220	1,738	13,883
Repairs and Maintenance - Equipment	514	17,615	2,637	20,766
Dues and Subscriptions	3,438	2,541	18	5,997
Outside Printing and Artwork	1,704	26,427	22	28,153
Advertising	8,695	16,403	110	25,208
Meals and General Promotion	3,806	3,052	48	6,906
Insurance - Other	34,152	10,519	-	44,671
Food	9,332	10,456	414	20,202
Gas and Oil	951	9,142	187	10,280
Registration and License	2,927	707	132	3,766
Taxes	494	34	6	534
Miscellaneous	121,334	12,092	1,606	135,032
Total Supporting Services Expenses Before Depreciation	1,909,333	954,326	70,079	2,933,738
Depreciation - Supporting Services	3,473	20,388	-	23,861
Total Supporting Services	<u>\$ 1,912,806</u>	<u>\$ 974,714</u>	<u>\$ 70,079</u>	<u>2,957,599</u>
<b>TOTAL EXPENSES</b>				<u><u>\$ 15,040,994</u></u>

See accompanying Notes to Financial Statements.

**RAWHIDE, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From:	
Contributions	\$ 8,897,886
Campus/Community Programs and School Tuition	4,244,636
Investment Income	272,501
Other	201,948
Cash Paid to Suppliers	(5,538,093)
Cash Paid to and on Behalf of Employees	(8,810,574)
Net Cash Used by Operating Activities	<u>(731,696)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Assets	36,540
Purchases of Property, Plant, and Equipment	(800,191)
Proceeds from Sale of Investments	2,361,916
Purchases of Investments	<u>(94,767)</u>
Net Cash Provided by Investing Activities	<u>1,503,498</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

771,802

Cash and Cash Equivalents - Beginning of Year

680,349

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 1,452,151

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH USED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ (1,444,553)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	645,725
Gain on Sale of Assets	(16,942)
Change in Value of Beneficial Interests	(12,212)
Net Realized and Unrealized Gain on Investments	(576,558)
Dividends and Interest Reinvested, Net of Investment Fees	(272,501)
Effects of Changes in Operating Assets and Liabilities:	
Receivables:	
Program Revenue	99,680
Employees	(2,011)
Promises to Give	21,999
Other	20,965
Inventories:	
Supplies	(4,600)
Vehicles	483,598
Prepaid Expense and Other Assets	177,100
Accounts Payable	(30,403)
Accrued Liabilities	179,017
Net Cash Used by Operating Activities	<u><u>\$ (731,696)</u></u>

See accompanying Notes to Financial Statements.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1 NATURE OF OPERATIONS**

Rawhide, Inc. (the Organization), located near New London, Wisconsin, is a nonprofit 501(c)(3) entity operating as a residential care center. The Organization exists to develop the most beneficial environment for at-risk and delinquent youth and their families to build healthy life-changing relationships and become responsible citizens. Most of the youth are court-referred, but some are privately placed. The youth come primarily from Wisconsin counties, though a few come from other states. The Organization's primary sources of program revenue are county and state welfare payments and vehicle donations.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Designated unrestricted net assets are those assets set aside for specific purposes by the Organization's board of directors.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**Description of Programs**

The Organization operates the following programs:

**Campus Programs**

*Standard Residential Program*

The Organization's Standard Residential Program provides care and training in a family atmosphere for young men generally ages 13 to 18, referred for placement by social services agencies and juvenile courts. Services include, but are not limited to, on-grounds education, including academic and work experience training and participation in individual, group, and family counseling. Funding is provided primarily through county and state placing agencies.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Programs (Continued)**

Campus Programs (Continued)

*About Face Program*

The About Face Program is a short-term residential service corps program providing new direction and building character in young men through regular community service work, as well as physical, academic, and moral values training. High standards are set for youth, challenging them to continuously improve.

*Group Home Program*

The Group Home Program provides a residential transitional living program for young men between the ages of 14 and 17. Young men are taught living skills that they can apply after returning to their home community and eventually, as an adult while living independently. Following a more transitional group home style, young men attend school in the local school district, while also attempting to secure employment in a nearby community.

*Residential Therapeutic Education Program (Academy)*

The Organization's Residential Therapeutic Education Program is a preventative program offered to 13 to 18 year-old young men at risk of dropping out of high school and committing offenses in their community. Young men enrolled in the program are struggling in the home and are in need of therapeutic counseling for one or more treatment-related behaviors. They enroll in a voluntary, family-centered residential program, attend high school classes, electives and interscholastic activities at the Organization, and participate in work experience programs while living on campus. The goal of the program is to achieve sustained positive behavioral outcomes and academic success in the lives of each student.

Community Programs

*CATCH and CATCH Plus Programs*

The Community Alternative Transition Children's Homes (CATCH and CATCH Plus) Programs provide a continuum of care designated for young men who have made a satisfactory adjustment in the Standard Residential or About Face Programs and are in the last few months of their stay. Direct placements are considered as well. These licensed treatment foster homes provide youth with the opportunity to work on independent living skills in a foster home setting and engage in community employment while attending academic classes at the Organization or in the community.

*Outpatient and Alumni Program*

The Outpatient and Alumni Program provides assistance to young men who have gone through the Organization's programs. Services include an "open door" policy inviting alumni and their families to return to the Organization at any time for a visit and/or counseling. Encouragement and counseling are provided by social workers and living unit staff. To help a young man make the transition to, and live successfully in a local community, further assistance and resources are provided in the areas of education, employment, and spiritual growth by the Organization's alumni specialists.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Programs (Continued)**

Community Programs (Continued)

*Youth and Family Counseling Program*

The Organization's Youth and Family Counseling Program is combined with the transition and alumni programs in the statement of functional expenses and provides individual, group, and family counseling to children, adolescents, adults, and families struggling with a variety of behavioral and mental health issues, relational difficulties, or personal concerns. Counseling centers are located in Milwaukee, Green Bay, Appleton, and New London.

Vehicle Program

The Vehicle Program provides young men with the opportunity to develop automotive maintenance and repair skills on vehicles donated to the Organization. Proceeds from the sale of these vehicles provide a critical source of funding to the Organization.

**Basis of Accounting**

The Organization uses an accounting system that is organized and operated using multiple fund types. A fund type is defined as an independent fiscal and accounting entity with a self-balancing set of accounts (recording cash and other resources together with liabilities and net assets) which are segregated for the purpose of carrying on specific activities. The Organization has the following fund types:

*Operating* – Operating consists of funds available for current operations and includes the Campus and Community Programs, Vehicle Program, and development activities.

*Property, Plant, and Equipment* – Property, plant, and equipment is designed for the recording of all property and equipment owned by the Organization and the related depreciation expense.

*Capital Campaign and Long-Term Investment* – The Capital Campaign and Long-Term Investment Fund consists of restricted or designated donations for a fund drive that would include all capital expenditures to allow the Organization to expand the facilities and programs to work with more boys and to build the endowment to provide a stable minimum base of funding. Various funds contained under this fund are as follows:

*Bart and Cherry Starr Rawhide Endowment Fund* – The Bart and Cherry Starr Rawhide Endowment Fund consists of donations permanently restricted by donors.

*Mrs. E. William Aylward, Sr. Memorial Fund* – The Mrs. E. William Aylward, Sr. Memorial Fund consists of donations temporarily restricted by the donor.

*Rawhide Endowment Fund* – The Rawhide Endowment Fund consists of several funds from board-designated donations for the support and maintenance of the Organization.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the accompanying statements, the Organization considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents. Cash equivalents are carried at cost, which approximates the current fair value. Cash equivalents consist of money market funds.

**Program Revenue Receivable**

Receivables are carried at the invoice amount. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. This allowance is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Organization could be adversely affected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the respective receivable account. There is no interest recognized on the receivables. Account balances over thirty days old are considered delinquent.

No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would be insignificant.

**Unconditional Promises to Give**

Unconditional promises to give are recorded at present value. Management has reviewed the collectability of promises to give and has determined that an allowance is not necessary.

**Inventories**

Supplies inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method.

Vehicle inventories are stated at the fair value of the donated items received during the year, but not yet converted into cash as of the end of the year. Fair value is determined, for all items remaining in inventories at year-end by taking into consideration the average of prior conversions, the status of the vehicles on hand, and prices in the current market. It is reasonably possible that the ultimate selling price of vehicle inventory could change, and such change could be material. The Organization recognizes contribution income on various donated items received by recording the amounts realized when the items are sold at auction or another method of disposition, and on items held in inventory at year-end.

**Investments**

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

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Purchased and Contributed Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost or, if donated, at fair value at the date of donation. Donated labor and materials used in building construction are recorded at fair value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property, plant, and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method on all property and equipment. The Organization's capitalization policy is to capitalize property, plant, and equipment with costs greater than \$2,000. Estimated useful lives for property, plant, and equipment are as follows:

Land improvements	5 – 15 Years
Buildings	10 – 30 Years
Equipment	3 – 10 Years
Vehicles	3 – 10 Years

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less cost to sell.

**Restricted Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**Revenue Recognition and Fees for Services**

The program revenue receivable represents fees receivable from the state of Wisconsin, counties in the state, and private parties. The Organization recognizes revenue at the time services are completed.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on payroll costs, building square footage, and other applicable methods.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fundraising**

The Organization expenses fundraising costs as incurred.

**Advertising**

The Organization expenses advertising costs as incurred.

**Income Taxes**

The Organization is a tax-exempt organization under the Internal Revenue Code section 501(c)(3). The tax-exempt status is based on the stated purpose of the operations and supporting evidence presented to the Internal Revenue Service (IRS) with the application for tax-exempt status. Such status is subject to re-evaluation should there be any changes in operation, character, or purpose of the Organization.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates include the fair value of donated vehicle inventory. Actual results could differ from those estimates.

**Accounting Standard Updates**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Organization for the year ending December 31, 2018; however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ending December 31, 2019; however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its consolidated financial statements.



**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The Organization has evaluated subsequent events through May 7, 2018, the date the financial statements were available to be issued.

On February 28, 2018, the Organization acquired substantially all of the assets and assumed certain liabilities of Chaps Academy, Inc., a state licensed mental health clinic located in Shiocton, Wisconsin. The acquisition is expected to expand the Organization's outpatient counseling services, including equine-assisted therapy. As part of the acquisition, the Organization acquired over \$500,000 of assets and assumed approximately \$280,000 of long-term debt. Because of the timing of the acquisition, the allocation of purchase prices hasn't been finalized.

**NOTE 3 UNCONDITIONAL PROMISES TO GIVE**

The "Receivables – Promises to Give" are related to various operational projects and are due as follows at December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 87,500
2019	12,500
2020	12,500
2021	10,000
2022	10,000
Total	<u>\$ 132,500</u>

**NOTE 4 INVESTMENTS**

Investments consisted of the following endowments and categories at December 31, 2017:

Rawhide Endowment	\$ 7,959,143
Aylward Endowment	1,741,027
Bret Starr Endowment	1,067,655
Bart Starr Endowment	203,631
Operating and Other	467,892
Total Investments	<u>\$ 11,439,348</u>

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable or are supported by little or no market activity.

The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Following are descriptions of the valuation methodologies used for assets measured at fair value:

*Marketable Securities:* The fair value of marketable securities is based on the closing price reported on the active market where the securities are traded.

*Government Obligations and Bonds:* These investments are valued by appraisals from third-party pricing services that categorize bonds with similar features and apply a general yield level for the entire category of securities. The approximate price of a specific bond can be calculated based on this derived yield level and assumptions that certain criteria are constant.

*Mutual Funds:* Mutual funds are valued at the quoted net asset value (NAV) of shares held by the Organization at year-end.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

*Beneficial Interests:* Beneficial interests in assets held by Community Foundations represents amounts held at the Oshkosh Area Community Foundation and the Community Foundation for the Fox Valley Region, Inc. (the Foundations). The Foundations invest the assets held in the funds. The income can be distributed. The principal may be distributed if approved by the executive director or the members of the governing body at the request of the Organization. If distributed, the principal is to be used according to the purposes set forth in the agreement and a balance of \$10,000 should always remain in the funds. The agreement governing the assets includes a variance power allowing the Foundations to modify the restrictions on distributions from the funds. The beneficial interests in assets held by Community Foundations are valued by the Foundations as a pro-rata share of the investment pool held by the Foundations. The unobservable inputs to the valuation are the underlying assets at the Foundations; therefore, these investments are classified as Level 3 assets within the fair value hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government Obligations and Bonds	\$ -	\$ 2,987,793	\$ -	\$ 2,987,793
Mutual Funds	8,039,865	-	-	8,039,865
Investments at Fair Value	<u>\$ 8,039,865</u>	<u>\$ 2,987,793</u>	<u>\$ -</u>	11,027,658
Money Market				411,690
Total Investments				<u>\$ 11,439,348</u>
Beneficial Interests	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,597</u>	<u>\$ 89,597</u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2017:

Balance - Beginning of Year	\$ 77,285
Purchases and Contributions	100
Change in Beneficial Interests in Assets Held by Community Foundations	12,212
Balance - End of Year	<u>\$ 89,597</u>

**NOTE 6 INVESTMENT INCOME**

Investment income consisted of the following for the year ended December 31, 2017:

Dividends and Interest	\$ 336,590
Realized Gains	33,287
Net Unrealized Gains	543,271
Investment Fees	(64,089)
Total Investment Income	<u>\$ 849,059</u>

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 ENDOWMENTS**

The Organization's endowments consist of various individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization's board of directors. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or board of directors requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There is a deficiency of \$153,664 in the endowment funds as of December 31, 2017, due to IRS required minimum distributions exceeding investment earnings on endowed funds.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 7 ENDOWMENTS (CONTINUED)**

**Return Objectives and Risk Parameters**

The objective is to preserve endowment assets while earning a reasonable rate of return in current income to provide funding to programs supported by the endowments. Donor funds received for endowments are invested in pools of investments managed by investment advisors at independent brokerage firms. The Organization has adopted investment policies for endowment assets which strive for long-term growth while at the same time generate a reasonable current rate of return for programs supported by the endowments. The specific objectives are as follows:

*Bart and Cherry Starr Rawhide & Rawhide Endowment Funds* – The funds' objectives are to earn current income from a diversified portfolio of primarily fixed income assets while limiting the overall portfolios' principal fluctuation.

*Mrs. E. William Aylward, Sr. Memorial Fund* – The fund's objective is capital growth and moderate current income. The fund will invest in a diversified mix of equity and fixed income assets.

**Strategies Employed for Achieving Objectives**

The Organization targets a diversified asset allocation that places a greater emphasis on corporate bonds to achieve long-term return objectives within prudent risk constraints. The Mrs. E. William Aylward, Sr. Memorial Fund objective is somewhat more aggressive with a greater emphasis on equities; which relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The funds' target asset allocation percentages are as follows:

*Bart and Cherry Starr Rawhide Endowment Fund & Rawhide Endowment Fund* – Cash equivalents 0%-20%, fixed income 80%-100%, and equities 0%-10%.

*Mrs. E. William Aylward, Sr. Memorial Fund* – Cash equivalents 0%-20%, fixed income 40%-60%, and equities 40%-60%.

**Spending Policy**

*Bart and Cherry Starr Rawhide Endowment Fund* – Under the provisions of the fund and governing law, this fund qualifies as a supporting organization, and as such, each year is required to disburse the greater of the net income of the fund or 5% of the prior year's ending balance. Within the fund is a segregated fund for the Bret Starr Memorial. Income from the memorial is to be used for the Transition and Alumni Program.

*Mrs. E. William Aylward, Sr. Memorial Fund* – The income earned is to be used for the maintenance of, or any necessary improvements to, the Aylward Home, Gillespie Home, Aylward Auditorium/Conference Center, or any future facility funded by Mrs. Aylward. The principal from the fund may be used for the aforementioned facilities with either donor's consent or, after donor's death or incompetence, the consent of the authorized officer(s) of the Aylward Family Foundation. Once the fund reaches \$1.5 million, the income may be used for the operations of those facilities. In the event that the investment income from the fund is less than 5%, principal may be used to bring the total available for distribution up to 5%.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 ENDOWMENTS (CONTINUED)**

**Spending Policy (Continued)**

*Rawhide Endowment Fund* – Each fund has a slightly different purpose. The funds include the General Purpose Fund, the Youth Homes Fund, the Maintenance Fund, the Capital Fund, the Pass-Through Fund, and Donor-Designated Funds. In general, the amount of money available each year for distributions (including investment fees) from a board-designed endowment fund shall be 5% of the fair value of the fund, based upon a moving average.

Endowment net assets by type of fund consisted of the following at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ (153,664)	\$ 1,741,027	\$ 1,424,950	\$ 3,012,313
Board-Designated Endowment Funds	7,959,143	-	-	7,959,143
Total Funds	<u>\$ 7,805,479</u>	<u>\$ 1,741,027</u>	<u>\$ 1,424,950</u>	<u>\$ 10,971,456</u>

Changes in endowment net assets were as follows for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 8,636,660	\$ 1,509,142	\$ 1,416,989	\$ 11,562,791
Contributions	-	76,707	7,961	84,668
Investment Returns:				
Investment Income	207,963	53,596	-	261,559
Net Appreciation (Realized and Unrealized)	402,286	164,231	-	566,517
Total Investment Returns	<u>610,249</u>	<u>217,827</u>	<u>-</u>	<u>828,076</u>
Appropriation of Endowment Assets for Expenditures	(1,447,449)	(56,630)	-	(1,504,079)
Deficiency Reclass	6,019	(6,019)	-	-
Endowment Net Assets - End of Year	<u>\$ 7,805,479</u>	<u>\$ 1,741,027</u>	<u>\$ 1,424,950</u>	<u>\$ 10,971,456</u>

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 8 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment consisted of the following at December 31, 2017:

Land and Land Improvements	\$ 1,490,263
Buildings	14,507,352
Equipment	3,898,967
Vehicles	1,167,805
Total, at Cost	<u>21,064,387</u>
Less Accumulated Depreciation	13,899,239
Net Property, Plant, and Equipment	<u><u>\$ 7,165,148</u></u>

**NOTE 9 ACCRUED EXPENSES**

Accrued expenses consisted of the following at December 31, 2017:

Salaries	\$ 270,733
Payroll Tax	12,051
Other	545
Vacation	413,958
Total Accrued Expenses	<u><u>\$ 697,287</u></u>

**NOTE 10 LETTER OF CREDIT**

The Organization has a letter of credit for the benefit of the treasurer of the Wisconsin Unemployment Reserve Funds in the amount of \$88,371 with \$-0- outstanding at December 31, 2017. The letter of credit is due on demand and expires December 31, 2021.

**NOTE 11 MONEY PURCHASE PENSION PLAN**

The Organization has a money purchase pension plan (the plan) covering substantially all full-time employees who have completed at least one year of service and worked over 1,000 hours per year. The Organization contributes, on behalf of each of the employees who are eligible to participate in the plan, an amount equal to 6% of the annual compensation of those employees.

The Organization contributed \$296,837 for the year ended December 31, 2017. This represents the gross contribution. No forfeitures from terminated employees' unvested balances were used to offset employer contributions for the year ended December 31, 2017.

**RAWHIDE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 NATURE AND AMOUNT OF TEMPORARY AND PERMANENT RESTRICTIONS**

Temporarily restricted net assets were available for the following purposes at December 31, 2017:

Tuition Assistance	\$ 1,200
Gabrielse Fund	99,801
Founder's Fund	66,947
Oshkosh Fund	6,614
Jacobs Fund	4,886
Leah Price Fund	29,132
Transition and Alumni Program	238,102
Construction and Maintenance	139,250
Aylward Endowment - Maintenance/Improvement Restriction	1,741,027
Total Temporarily Restricted Net Assets	<u>\$ 2,326,959</u>

Permanently restricted net assets include endowments totaling \$1,424,950, which must be invested in perpetuity; the investment income from these permanently restricted assets is expendable to support the Residential Program and the Transition and Alumni Program.

**NOTE 13 LEASE COMMITMENTS**

The Organization leases office space at various locations for the purpose of offsite counseling. The leases expire at various dates through 2021. Total lease expense for the year ended December 31, 2017 was \$58,071.

Future minimum lease payments for all leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 45,931
2019	32,073
2020	22,095
2021	15,759
Total	<u>\$ 115,858</u>

**NOTE 14 CONCENTRATIONS**

The Organization maintains cash balances at several institutions. Deposits at each institution are federally insured up to certain limits. The Organization had balances in excess of federally insured limits at various times during 2017. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.