



# **NORTHWEST YOUTH & FAMILY SERVICES**

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**NORTHWEST YOUTH & FAMILY SERVICES**  
**BOARD OF DIRECTORS AND KEY PERSONNEL**  
**JUNE 30, 2008**

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**Board of Directors**

Margaret A. St. Germain	Chair
Amanda Little	Vice Chair
Joel C. Olson	Treasurer
David L. Norrgard	Secretary
Tom Baldwin	Board Member
Karen M. Charlson	Board Member
Judith A. Cognetta	Board Member
Harold R. Gray	Board Member
Annie Hoffman	Board Member
Brenda J. Holden	Board Member
Blake C. Huffman	Board Member
Alan Hull	Board Member
Robert J. Jacobson	Board Member
Peg Kennedy	Board Member
Peter C. Lindstrom	Board Member
Wendell Maddox	Board Member
Mary Jo McGuire	Board Member
Gloria Alvarez Pederson	Board Member
Tammy L. Pust	Board Member
Jim Roth	Board Member
Marlin G. Rudebusch	Board Member
Carrie J. Walker	Board Member

## BOARD OF DIRECTORS AND KEY PERSONNEL

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### *Key Personnel*

Kay Andrews	President & CEO
Jerry Hromatka	Associate Director
Fran Smith	Business Manager
Rachel Cain	Director of Outpatient Mental Health
Jill Buckingham	Director of Day Treatment Services
Tim Gusk	Director of Community Services



CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
**Northwest Youth & Family Services**  
Shoreview, Minnesota

We have audited the accompanying statement of financial position of **Northwest Youth & Family Services** (a Section 501(c)(3) non-profit organization or the Organization), as of June 30, 2008, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and in our report dated October 11, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northwest Youth & Family Services**, as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "David A. Stone".

Minneapolis, Minnesota  
October 15, 2008

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**NORTHWEST YOUTH & FAMILY SERVICES**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 345,155	\$ 398,303
Grants and contracts receivable	204,584	63,886
Accounts receivable, net of allowance for doubtful accounts and contractual discounts of \$118,000 in 2008 and \$218,000 in 2007	171,081	299,396
Assets limited as to use - construction funds	<u>1,001,342</u>	<u>-</u>
Total current assets	<u>1,722,162</u>	<u>761,585</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	480,000	480,000
Building and improvements	2,138,577	2,127,148
Office furniture and equipment	176,910	207,205
Construction in progress	<u>37,323</u>	<u>-</u>
	2,832,810	2,814,353
Less accumulated depreciation	<u>(651,766)</u>	<u>(663,150)</u>
Total property and equipment less accumulated depreciation	<u>2,181,044</u>	<u>2,151,203</u>
<b>OTHER ASSETS</b>		
Investments - board designated	423,634	402,465
Security deposit	2,600	2,600
Leasing and deferred financing costs, net of accumulated amortization of \$49,484 in 2008 and \$39,676 in 2007	40,357	28,340
Total other assets	<u>466,591</u>	<u>433,405</u>
Total assets	<u>\$ 4,369,797</u>	<u>\$ 3,346,193</u>

See Notes to Financial Statements

	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 116,622	\$ 742,505
Accounts payable	57,460	86,848
Accrued expenses	331	77,981
Compensated absences	125,949	92,532
Security deposits payable	13,949	13,949
Deferred revenue, net	63,117	213,132
	<u>377,428</u>	<u>1,226,947</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current portion	<u>1,895,378</u>	-
	<u>2,272,806</u>	<u>1,226,947</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated for future endowment	16,386	15,808
Designated for building reserve	165,771	156,765
Designated for general operations	241,477	229,892
Undesignated	1,558,007	1,701,565
	<u>1,981,641</u>	<u>2,104,030</u>
Temporarily restricted	115,350	15,216
Total net assets	<u>2,096,991</u>	<u>2,119,246</u>
	<u>\$ 4,369,797</u>	<u>\$ 3,346,193</u>
Total liabilities and net assets	<u>\$ 4,369,797</u>	<u>\$ 3,346,193</u>

**NORTHWEST YOUTH & FAMILY SERVICES**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)**

Exhibit A-2

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Support				
Government grants	\$ 542,226	\$ -	\$ 542,226	\$ 533,143
Contributions (individuals, businesses, and foundations)	174,833	110,750	285,583	107,554
Special events, net of direct benefit to donors	54,221	-	54,221	58,764
In-kind contributions	90,051	-	90,051	2,779
Revenue				
Program service fees, net of contractual adjustments	2,851,833	-	2,851,833	2,514,772
Rent	195,562	-	195,562	190,944
Investment income	25,372	-	25,372	26,960
Conference fees	14,374	-	14,374	31,092
Miscellaneous	32,499	-	32,499	17,625
Total support and revenue	<u>3,980,971</u>	<u>110,750</u>	<u>4,091,721</u>	<u>3,483,633</u>
Net assets released from restriction	10,616	(10,616)	-	-
Net support and revenue	<u>3,991,587</u>	<u>100,134</u>	<u>4,091,721</u>	<u>3,483,633</u>
<b>EXPENSES</b>				
Program services	3,592,313	-	3,592,313	2,960,652
Management and general	106,579	-	106,579	69,518
Fundraising	161,318	-	161,318	134,166
Building operation expenses	253,766	-	253,766	243,246
Total expenses	<u>4,113,976</u>	<u>-</u>	<u>4,113,976</u>	<u>3,407,582</u>
CHANGE IN NET ASSETS	(122,389)	100,134	(22,255)	76,051
NET ASSETS, BEGINNING OF YEAR	<u>2,104,030</u>	<u>15,216</u>	<u>2,119,246</u>	<u>2,043,195</u>
NET ASSETS, END OF YEAR	<u>\$ 1,981,641</u>	<u>\$ 115,350</u>	<u>\$ 2,096,991</u>	<u>\$ 2,119,246</u>

# NORTHWEST YOUTH & FAMILY SERVICES

Exhibit A-3

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	<u>2008</u>	<u>2007</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (22,255)	\$ 76,051
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	99,432	99,898
Changes in assets and liabilities		
Grants and contracts receivable	(140,698)	(3,290)
Accounts receivable	128,315	(18,842)
Prepaid taxes	-	3,500
Accounts payable	(29,388)	58,741
Accrued expenses	(44,233)	87,950
Deferred revenue	(150,015)	213,132
<b>NET CASH (USED FOR) FROM OPERATING ACTIVITIES</b>	<u>(158,842)</u>	<u>517,140</u>
<b>INVESTING ACTIVITIES</b>		
Increase in assets limited as to use	(1,001,342)	-
Purchase of investments	(25,372)	(26,960)
Increase in investments - board designated	4,203	(65,744)
Purchase of property and equipment	(119,465)	(187,494)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<u>(1,141,976)</u>	<u>(280,198)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt refinance	2,012,000	-
Mortgage closing costs	(21,825)	-
Payments on long-term debt	(742,505)	(45,317)
<b>NET CASH FROM (USED FOR) FINANCING ACTIVITIES</b>	<u>1,247,670</u>	<u>(45,317)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(53,148)</b>	191,625
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>398,303</u>	<u>206,678</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 345,155</u>	<u>\$ 398,303</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for		
Interest	\$ 45,888	\$ 46,731
Taxes	-	1,500

**NORTHWEST YOUTH & FAMILY SERVICES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)**

	2008			
	Program Services			
	Mental Health	Community Services	NET Services Program	Total
Salaries	\$ 581,949	\$ 359,374	\$ 1,364,847	\$ 2,306,170
Independent contractors	47,036	-	10,880	57,916
Payroll taxes and benefits	119,596	100,138	286,551	506,285
Office supplies	6,898	3,294	18,001	28,193
NETS supplies and activities	-	-	40,362	40,362
Building supplies	1,877	1,985	11,434	15,296
Professional services	22,435	13,332	44,097	79,864
Equipment rental	2,307	1,371	4,650	8,328
Capital purchases	867	575	4,089	5,531
Telephone	4,501	4,399	14,963	23,863
Postage	2,628	581	4,735	7,944
Transportation	9,633	6,154	1,643	17,430
Advertising and promotion	1,411	2,992	2,810	7,213
Printing	1,169	764	4,517	6,450
Insurance	2,613	1,993	11,274	15,880
Utilities	7,320	13,266	38,401	58,987
Maintenance	4,921	3,511	27,385	35,817
Building repairs	-	912	20,997	21,909
Interest	-	-	-	-
Real estate taxes	-	-	-	-
Training	1,380	905	2,633	4,918
Memberships and subscriptions	3,191	1,461	-	4,652
Miscellaneous	1,580	139	2,041	3,760
Staff and board development	1,273	484	2,546	4,303
Project Engage	-	-	-	-
Family service program	19,417	4,795	-	24,212
RAP subsidy	-	1,647	-	1,647
Special projects	-	13,075	-	13,075
Mental health conferences	21,842	-	-	21,842
Penny Pinchers	-	30,459	-	30,459
Penny Pinchers rent	-	54,478	-	54,478
NETS Program rent	-	-	39,394	39,394
Special events	2,200	7,280	1,298	10,778
NETS Program in-kind rent	-	-	78,789	78,789
Unrelated business income tax	-	-	-	-
Depreciation and amortization	11,820	5,910	38,838	56,568
<b>TOTAL EXPENSES</b>	<b>\$ 879,864</b>	<b>\$ 635,274</b>	<b>\$ 2,077,175</b>	<b>\$ 3,592,313</b>
% to total excluding building rental expense	<b>23%</b>	<b>16%</b>	<b>54%</b>	<b>93%</b>
% to total including building rental expense	<b>21%</b>	<b>15%</b>	<b>50%</b>	<b>86%</b>

See Notes to Financial Statements

2008				2007
Supporting Services		Building		
Management and General	Fundraising	Rental Expenses	Total	Total
\$ 73,256	\$ 98,602	\$ 49,473	\$ 2,527,501	\$ 2,088,667
-	-	-	57,916	50,165
18,520	14,024	13,896	552,725	549,954
949	1,155	186	30,483	23,570
-	-	-	40,362	26,458
-	-	4,819	20,115	15,487
2,388	22,248	781	105,281	88,821
242	228	153	8,951	7,137
152	152	76	5,911	2,461
540	431	269	25,103	18,579
245	1,336	-	9,525	9,003
2,302	484	234	20,450	13,649
109	-	-	7,322	1,071
134	134	45	6,763	7,731
2,664	145	14,043	32,732	44,342
-	-	17,730	76,717	59,268
-	-	54,160	89,977	81,249
-	-	6,457	28,366	16,830
-	-	45,699	45,699	46,731
-	-	2,742	2,742	2,367
530	1,936	-	7,384	6,492
160	1,827	-	6,639	5,090
3,386	1,876	75	9,097	8,485
1,002	311	64	5,680	5,416
-	-	-	-	2,435
-	-	-	24,212	11,656
-	-	-	1,647	3,539
-	-	-	13,075	8,152
-	-	-	21,842	20,093
-	-	-	30,459	5,300
-	-	-	54,478	35,568
-	-	-	39,394	16,545
-	16,429	-	27,207	23,873
-	-	-	78,789	-
-	-	-	-	1,500
-	-	42,864	99,432	99,898
<b>\$ 106,579</b>	<b>\$ 161,318</b>	<b>\$ 253,766</b>	<b>\$ 4,113,976</b>	<b>\$ 3,407,582</b>
<b>3%</b>	<b>4%</b>		<b>100%</b>	
<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>100%</b>	

**NORTHWEST YOUTH & FAMILY SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

Northwest Youth & Family Services (NYFS or the Organization) is a private, non-profit organization under Section 501(c)(3) committed to preparing youth and families for healthy lives. Programs of the Organization include:

*Out-Patient Mental Health Services:*

Counseling Services - NYFS' licensed mental health professionals offer therapy services for individuals and families age four through adult. Basic psychiatric care and medication services are also available for children and adolescents.

Educational and Support Groups - Mental health staff offers educational and support groups on issues such as raising ADHD children, parenting teens and anger management for youth. New groups are developed as needed.

*Northwest Educational and Therapeutic Services (NETS):*

Established in August 2004, NETS is a daily, year-round, day treatment program for youth that combines therapeutic services with educational programming to address the needs of severely emotionally disturbed youth.

To promote lasting improvement, NETS also emphasizes family participation and involvement.

Mental Health Program - NETS mental health program consists of individual and group therapy, therapeutic recreation, creative arts and life skills therapy.

Educational Program - Classes are smaller and more individualized to meet the specific educational needs of our clients.

Family Program - Family involvement is critical to the success of each client. Families are required to participate in individual and/or multi-family sessions and parent education sessions.

*Community Services:*

Penny Pinchers Thrift Store - Penny Pinchers provides low cost goods to people who need or want a deal and provides a training site for our youth employment program. NYFS' thrift store provides quality used clothing, furniture and household goods at affordable prices and offers a local option to recycle quality clothing, furniture and household goods.

Youth Employment Program - This program helps youth ages 15 - 17 develop good work habits, learn practical job-seeking skills and gain meaningful retail work experience through Penny Pinchers Thrift Store.

Senior Chore Program - Senior Chore links youth age 12 and older with area seniors in need of basic chore services. This program allows seniors to live independently while fostering intergenerational relationships and providing gainful work experience for youth.

Diversion - The Diversion Program works to reduce recidivism by imposing appropriate consequences and restitution services to youth who commit misdemeanor crimes.

## NOTES TO FINANCIAL STATEMENTS

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Community Social Workers - Community social workers help families overcome barriers to healthy functioning through case management services. These services include connecting families with local support services and resources.

Discovery Program – This program helps at risk youth learn positive ways to engage their community and develop personal skills important to long term success.

Summer Day Camp – NYFS offers multi-week summer camp experiences to youth residing in manufactured home areas. The program provides healthy recreation activities while day camp counselors teach and model appropriate social skills.

### *Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

### *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no permanently restricted net assets at June 30, 2008.

### *Cash and Cash Equivalents*

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents, except for the board designated short-term investment funds. At times, bank deposits, including certificates of deposit, may be in excess of FDIC limits.

### *Investments*

Investments are stated at fair value and consist of certificates of deposits. The investments at June 30, 2008, totaled \$423,634 and are board designated for future endowment purposes, building reserve and general operations.

### *Property and Equipment*

Expenditures for the acquisition of property and equipment greater than \$500 are capitalized at cost and donated property and equipment is capitalized at fair value. Depreciation is computed on the straight-line method over the following useful lives:

Office furniture and equipment	5-10 years
Buildings and building improvements	39 years

## NOTES TO FINANCIAL STATEMENTS

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### *Leasing Costs*

Costs associated with locating tenants are capitalized and amortized on a straight-line basis over the length of the lease to which they apply.

### *Deferred Financing Costs*

Deferred financing costs are amortized over the period the related obligation is outstanding using the straight-line method.

### *Compensated Absences*

Under the Organization's policies and procedures, employees are granted vacation leave based on the number of years of experience they have at the Organization. Employees may accumulate a maximum of two years of their annual vacation leave benefit. Unused accumulated vacation is paid to employees upon termination.

Employees are able to earn and accumulate sick leave up to a maximum of ninety (90) days. Upon separation, full-time employees with ten or more years of service are entitled to 50 percent of their accumulated sick leave, but in no event will such severance exceed one month's pay.

Compensated absences payable includes vacation and estimated severance payable.

### *Support and Revenue Recognition*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program revenue is recorded when earned. The Organization extends unsecured credit to its clients in the normal course of activities.

The Organization uses the allowance method to determine uncollectible contributions and grants. The allowance is based on prior years' experience and management's analysis of the outstanding receivables.

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 from patients and third party payors. Management reviews receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

### *Functional Allocation of Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## NOTES TO FINANCIAL STATEMENTS

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### *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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Income Taxes*

The Organization qualifies as a tax-exempt, non-profit organization under Section 501(c)(3) and is not a private foundation under Section 509(a) of the Internal Revenue Code. Building rental activities are not directly related to the Organization's tax-exempt purpose and are subject to taxation as unrelated income.

### *Contributed Property and Services*

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Property services and other noncash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

### *Assets Limited as to Use*

Assets limited as to use include assets set aside for the building addition construction project.

### *Comparative Financial Statements*

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2008:

Accounts receivable, Mental Health Services	\$ 138,043
Allowance for doubtful accounts and contractual adjustments	<u>(48,315)</u>
	<u>89,728</u>
Accounts receivable, NET Services	151,521
Allowance for doubtful accounts and contractual adjustments	<u>(70,168)</u>
	<u>81,353</u>
Total accounts receivable, net of allowance for doubtful accounts and contractual adjustments	<u>\$ 171,081</u>

### NOTE 3 - NET SERVICES

The NETS program is funded by contracts with a variety of school districts including Moundsview, Spring Lake Park, North St. Paul, White Bear Lake, Roseville, Columbia Heights, Centennial and St. Paul. The contract period extends from July 1, 2007 through June 30, 2008. Per the contract, NYFS receives a specified dollar amount per student for services rendered. Any revenue generated from other sources such as state, county or private resources are to be used to reduce the costs of services to the school districts. However, if such collections are less than originally estimated by either party, the school districts bear the responsibility of the increase in costs and will reimburse NYFS for any shortage. In the event NYFS is over funded or under funded, such amounts will be reconciled and paid subsequent to the contract period end of June 30, 2008. Any amount over funded will offset the new contract amount for the period of July 1, 2008 through June 30, 2009.

This program was expanded September, 24, 2007, to include a contract with the Anoka Hennepin school district with Intermediate District 916 providing the additional educational services. NYFS entered into a transfer agreement with the University of Minnesota to absorb their current University Day Community program into the NETS program. The contract period extends from September 24, 2007 through June 30, 2008, and has the same contract language that the other school districts have agreed to.

As of June 30, 2008, a net of \$63,117 was over funded and recognized as deferred revenue for the NETS program.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 - THIRD PARTY RATE ADJUSTMENTS

Client service revenue, included in program service fees, was derived under federal and state third party reimbursement programs along with other third party insurance companies that pay less than 100 percent of the Organization's fee. The Organization is contractually obligated to write-off the remaining amount. The gross and net revenue breakdown is as follows in 2008:

Mental Health Services	
Gross client service revenue	\$ 568,863
Contractual allowances and write offs	<u>(282,966)</u>
Net client service revenue	<u>\$ 285,897</u>
Northwest Educational and Therapeutic Services (NET Services)	
Gross client service revenue	\$ 795,400
Contractual allowances	<u>(656,426)</u>
Net service revenue	<u>\$ 138,974</u>

### NOTE 5 - LINE OF CREDIT

The Organization has available a \$200,000 line of credit with Anchor Bank, secured by a security agreement and all assets of the Organization, expiring February 2010. The interest rate is a base rate plus 1% (5.87% at June 30, 2008). As of June 30, 2008, there were no borrowings under the line of credit.

### NOTE 6 - LONG-TERM DEBT

Mortgage note payable to Anchor Bank Heritage, N.A., payable in monthly installments of \$14,360, including interest at 5.87% until June 1, 2018, when the outstanding balance is payable in full. The note is secured by the building and subordinated to certain lease agreements.	\$ 2,012,000
Less current portion	<u>(116,622)</u>
Net long-term debt, less current portion	<u>\$ 1,895,378</u>

The Organization refinanced its mortgage on June 3, 2008:

Retire existing Wells Fargo mortgage	\$ 703,270
Provide proceeds for a building addition and remodeling of the current building	1,000,000
Closing costs	21,825
Working capital	<u>286,905</u>
	<u>\$ 2,012,000</u>

The mortgage loan agreement requires the Organization to satisfy certain measures of financial performance.

## NOTES TO FINANCIAL STATEMENTS

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During the year ended June 30, 2008, the Organization began a building addition and a remodeling project of the existing building. The project was approved by the Board on June 12, 2008, and on September 18, 2008, the Board approved and awarded the building contract for the addition. The cost of the addition and remodeling project is estimated to be \$2,500,000 with a completion date in the fiscal year June 2010.

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 116,622
2010	113,263
2011	109,701
2012	105,925
2013	101,921
Thereafter	<u>1,464,568</u>
	<u>\$ 2,012,000</u>

### NOTE 7 - LEASE OBLIGATIONS

#### *As Lessee*

The Organization leases retail space (Penny Pinchers) under an operating lease. The Organization signed a three-year lease in September 2007, expiring September 2010. Total rent per year will be \$48,247, including operating costs of \$383 per month. The Organization also exercised their option to hold over the lease for the Summer Business Center. The lease ends in June 2009 and monthly payments are \$13,131.

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 171,000
2010	<u>53,000</u>
	<u>\$ 224,000</u>

Total rent expense for these leases were \$93,872 for the year ended June 30, 2008.

#### *As Lessor*

The Organization leases office space in the building it occupies to tenants under non-cancelable operating leases with terms of five to seven years. Current leases for Lutheran Youth Encounter and American Red Cross are in the process of being amended and are expected to be renewed through year 2015.

## NOTES TO FINANCIAL STATEMENTS

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Future minimum rentals, not including operating costs, under the lease agreements are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2009	\$ 198,000
2010	140,000
2011	25,000
	<u>363,000</u>
	<u>\$ 363,000</u>

### NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Saint Paul Foundation	\$ 750
Discovery initiative	60,000
Summer day camp	50,000
Cultural diversity	4,600
	<u>115,350</u>
	<u>\$ 115,350</u>

Net assets were released by incurring expenses satisfying the restricted purposes specified by donors.

Community social workers	\$ 1,416
Cultural diversity	9,200
	<u>10,616</u>
	<u>\$ 10,616</u>

### NOTE 9 - RETIREMENT PLAN

Northwest Youth & Family Services sponsors a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate after one year of service with the Organization. The employer will contribute an additional 5.5 percent of the participant's salary if the participant contributes at least 4 percent of their salary. Total contributions made by the Organization were approximately \$81,000 for the year ended June 30, 2008.

### NOTE 10 - INVESTMENTS AND INVESTMENT INCOME

#### *Assets Limited as to Use*

Assets limited as to use at June 30, 2008, include the following restricted cash and cash equivalents stated at fair value and represents construction funds:

Cash and cash equivalents, obligated by mortgage note payable (Note 6)	<u>\$ 1,001,342</u>
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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 11 - CONTINGENCIES

Substantially all support and revenue is received from individual, charitable organizations, foundations and governmental entities; therefore, the continuation of certain programs of the Organization is dependent upon future funding.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the board deems the contingency remote, since by accepting the grants and their terms; it has accommodated the objectives of the Organization to the provisions of the grant.

# **Northwest Youth & Family Services**



CPAs & BUSINESS ADVISORS

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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The Board of Directors  
**Northwest Youth & Family Services**  
Shoreview, Minnesota

Our report on our audit of the basic financial statements of **Northwest Youth & Family Services** for the year ended June 30, 2008, appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules B-1 through B-5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "David A. Stone".

Minneapolis, Minnesota  
October 15, 2008

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**NORTHWEST YOUTH & FAMILY SERVICES**  
**SCHEDULE OF SUPPORT AND REVENUE AND EXPENSES –**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2008**

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>SUPPORT AND REVENUE</b>			
Support			
Grants	\$ 533,775	\$ 542,226	\$ 8,451
Contributions	263,500	285,583	22,083
Special events, net of direct benefit to donors	66,500	54,221	(12,279)
In-kind contributions	30,000	90,051	60,051
Revenue			
Mental Health Services program fees	441,000	593,315	152,315
NET Services program fees	2,306,758	2,191,058	(115,700)
Diversion program fees	1,500	2,806	1,306
Youth run business program fees	120,000	64,654	(55,346)
Office space and conference room rental	194,095	195,562	1,467
Investment income	23,000	25,372	2,372
Mental health conferences	38,000	14,374	(23,626)
Miscellaneous	27,600	32,499	4,899
<b>TOTAL SUPPORT AND REVENUE</b>	<u><u>\$ 4,045,728</u></u>	<u><u>\$ 4,091,721</u></u>	<u><u>\$ 45,993</u></u>

(continued on next page)

**SCHEDULE OF SUPPORT AND REVENUE AND EXPENSES –  
BUDGET AND ACTUAL – page 2**

EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 2,123,847	\$ 2,527,501	\$ (403,654)
Independent contractors	-	57,916	(57,916)
Payroll taxes and benefits	538,030	552,725	(14,695)
Office supplies	27,700	30,483	(2,783)
NETS supplies and activities	27,550	40,362	(12,812)
Building supplies	12,000	20,115	(8,115)
Professional services	109,300	105,281	4,019
Equipment rental	10,000	8,951	1,049
Capital purchases	9,750	5,911	3,839
Telephone	22,100	25,103	(3,003)
Postage	8,500	9,525	(1,025)
Transportation	20,000	20,450	(450)
Advertising and promotion	4,650	7,322	(2,672)
Printing	5,500	6,763	(1,263)
Insurance	44,292	32,732	11,560
Utilities	60,000	76,717	(16,717)
Maintenance	79,000	89,977	(10,977)
Building repairs	30,000	28,366	1,634
Interest	45,908	45,699	209
Real estate taxes	2,264	2,742	(478)
Training	7,500	7,384	116
Memberships and subscriptions	5,665	6,639	(974)
Miscellaneous	5,820	9,097	(3,277)
Staff and board development	6,000	5,680	320
Project Engage	2,600	-	2,600
Family support program	12,200	24,212	(12,012)
RAP subsidy	5,480	1,647	3,833
Special projects	5,570	13,075	(7,505)
Mental health conferences	20,000	21,842	(1,842)
Penny Pinchers	3,725	30,459	(26,734)
Penny Pinchers rent	33,684	54,478	(20,794)
NETS Program rent	22,500	39,394	(16,894)
Special events	41,000	27,207	13,793
NETS Program in-kind rent	-	78,789	(78,789)
Unrelated business income tax	5,000	-	5,000
Bad debt	1,000	-	1,000
Depreciation and amortization	84,717	99,432	(14,715)
<b>TOTAL EXPENSES</b>	<b>\$ 3,442,852</b>	<b>\$ 4,113,976</b>	<b>\$ (671,124)</b>

**NORTHWEST YOUTH & FAMILY SERVICES**  
**SCHEDULE OF GRANTS - UNRESTRICTED**  
**YEAR ENDED JUNE 30, 2008**

Exhibit B-2

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UNRESTRICTED CONTRIBUTIONS - GENERAL OPERATING

Berger Transfer & Storage	\$ 10,000
St. Mary Romanian Orthodox Church	5,000
St. Katherine Ukrainian Orthodox Church	5,000
Soup It Up, Inc.	5,000
Deluxe Corporation Foundation	5,000
Business Data Record Services	5,000
Dellwood Foundation, Inc.	3,000
Lawrence and Elizabeth Dunlap Foundation	2,752
Unity Church-Unitarian of St. Paul	1,370
Gretchen Murphy	1,300
Others less than \$1,000	<u>18,165</u>
<b>TOTAL CONTRIBUTIONS - UNRESTRICTED</b>	<u><u>\$ 61,587</u></u>

**NORTHWEST YOUTH & FAMILY SERVICES**  
**SCHEDULE OF CONTRIBUTIONS – UNRESTRICTED**  
**YEAR ENDED JUNE 30, 2008**

Exhibit B-3

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RESTRICTED CONTRIBUTIONS - PROGRAMS

The McKnight Foundation	\$ 194,000
Target Foundation	11,000
Ameriprise Financial	10,000
Tri-Park Investments, Inc.	2,853
North Suburban Community Foundation	2,500
Others less than \$1,000	<u>3,643</u>
<b>TOTAL CONTRIBUTIONS - RESTRICTED</b>	<b><u><u>\$ 223,996</u></u></b>

IN-KIND CONTRIBUTIONS

University of Minnesota	\$ 78,789
Second Harvest	4,450
Minnesota Twins	4,350
Others less than \$1,000	<u>3,680</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b>91,269</b>
Included in special events	<u>(1,218)</u>
<b>NET</b>	<b><u><u>\$ 90,051</u></u></b>

**NORTHWEST YOUTH & FAMILY SERVICES**  
**SCHEDULE OF CONTRIBUTIONS – RESTRICTED**  
**YEAR ENDED JUNE 30, 2008**

Exhibit B-4

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RESTRICTED CONTRIBUTIONS - PROGRAMS

The McKnight Foundation	\$ 194,000
Target Foundation	11,000
Ameriprise Financial	10,000
Tri-Park Investments, Inc.	2,853
North Suburban Community Foundation	2,500
Others less than \$1,000	<u>3,643</u>

TOTAL CONTRIBUTIONS - RESTRICTED \$ 223,996

IN-KIND CONTRIBUTIONS

University of Minnesota	\$ 78,789
Second Harvest	4,450
Minnesota Twins	4,350
Others less than \$1,000	<u>3,680</u>

TOTAL IN-KIND CONTRIBUTIONS 91,269

Included in special events (1,218)

NET \$ 90,051

**NORTHWEST YOUTH & FAMILY SERVICES**  
**SCHEDULE OF SPONSORSHIPS – SPECIAL EVENTS**  
**YEAR ENDED JUNE 30, 2008**

Exhibit B-5

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**LEADERSHIP LUNCHEON - SPONSORSHIPS**

Community Resource Bank	\$	2,500
Anchor Bank		1,500
ION Corporation		1,000
Lakeside Homes & Sales, Inc.		1,000
North American Banking Company		1,000
Sandy Chandler Martin Charitable Fund		1,000
The Troy Foundation		1,000
Wells Fargo Bank		1,000
Eide Bailly, LLP		500
C.B. Richard Ellis		500
The Maguire Agency		500

**MAJOR DONORS**

City of Arden Hills	\$	1,000
N.L. Gault		500
Carol J. Nelson		500

**IN-KIND DONORS**

St. Paul Pioneer Press	\$	2,100
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**TASTE OF NORTHWEST - SPONSORSHIPS**

Land O'Lakes	\$	2,500
Western Bank		750
Bank Cherokee		500
ION Corporation		500
Walmart		500
Wells Fargo Bank		500

**IN-KIND DONORS**

St. Paul Pioneer Press	\$	4,200
Creative Catering		2,300
City of Shoreview		800
Jorie Kulseth		550
Allegra Print & Imaging		500