

**NORTHEAST YOUTH AND  
FAMILY SERVICES**

**REPORT ON AUDIT**

**JUNE 30, 2013**



**LETHERT, SKWIRA, SCHULTZ & Co. LLP**  
*CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS*

*Helping Business Conduct Business Since 1918*

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Board of Directors and Stockholders Northeast Youth and Family Services**

We have audited the accompanying statement of financial position of **Northeast Youth and Family Services** (a Minnesota nonprofit organization) as of **June 30, 2013** and 2012, and the related statements of changes in net assets, functional expenses (with comparative totals for 2012), and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northeast Youth and Family Services** as of **June 30, 2013** and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the **Northeast Youth and Family Services'** 2012 financial statements, and our report dated December 11, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended **June 30, 2013**, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**October 31, 2013**

*Lethert, Skwira, Schultz & Co. LLP*

**LETHERT, SKWIRA, SCHULTZ & CO. LLP**

**NORTHEAST YOUTH AND FAMILY SERVICES**

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**NORTHEAST YOUTH AND FAMILY SERVICES**

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Statement of Financial Position

**June 30, 2013 and 2012**

<b><u>ASSETS</u></b>	<b>2013</b>	<b>2012</b>
<b><u>Current Assets</u></b>		
Cash and equivalents	\$ 297,888	\$ 481,653
Cash, restricted (Note 4)	-	666,830
Accounts receivable, net of allowance for doubtful accounts, <b>2013, \$16,693</b> and 2012, \$59,661 (Note 5)	<b>66,949</b>	95,006
Pledges receivable (Note 6)	<b>8,455</b>	18,570
Grants receivable	<b>265,129</b>	40,134
Fiscal Agency receivable (Note 4)	-	225,812
Prepayments	<b>59,956</b>	41,128
<b>Total Current Assets</b>	<b>698,377</b>	1,569,133
 <b><u>Property and Equipment</u></b>		
Land	<b>480,000</b>	480,000
Building and improvements	<b>5,247,908</b>	5,247,908
Furniture and equipment	<b>131,298</b>	131,298
<b>Total</b>	<b>5,859,206</b>	5,859,206
Less: Accumulated depreciation	<b>1,366,717</b>	1,174,850
<b>Total Property and Equipment</b>	<b>4,492,489</b>	4,684,356
 <b><u>Other Assets</u></b>		
Long-term investments (Note 2)	<b>358,162</b>	357,032
Intangible assets, net (Note 7)	<b>65,122</b>	76,494
<b>Total Other Assets</b>	<b>423,284</b>	433,526
 <b>TOTAL ASSETS</b>	 <b>\$ 5,614,150</b>	 <b>\$ 6,687,015</b>

The accompanying notes are an integral part of this financial statement.

NORTHEAST YOUTH AND FAMILY SERVICES

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Statement of Financial Position

June 30, 2013 and 2012

<b><u>LIABILITIES AND NET ASSETS</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b><u>Current Liabilities</u></b>		
Current maturities of long-term debt	\$ 122,000	\$ 114,000
Accounts payable	7,156	5,147
Fiscal agency payable (Note 4)	-	892,642
Accrued payroll and payroll taxes	29,794	95,101
Compensated absences payable	192,370	145,706
Accrued expenses	24,850	28,451
Security deposits	10,220	10,220
Deferred revenue	<u>187,542</u>	<u>103,902</u>
<b>Total Current Liabilities</b>	<b>573,932</b>	<b>1,395,169</b>
<b><u>Long-Term Debt (Note 11)</u></b>		
Long-term debt	3,181,363	3,295,444
Less: Current maturities	<u>122,000</u>	<u>114,000</u>
<b>Total Long-Term Debt</b>	<b>3,059,363</b>	<b>3,181,444</b>
<b><u>Net Assets</u></b>		
<b><u>Unrestricted:</u></b>		
Undesignated	1,136,181	1,382,410
Designated for future endowment	17,097	17,076
Designated for building reserve	119,094	117,986
Designated for general operations	<u>221,970</u>	<u>221,970</u>
<b>Total Unrestricted</b>	<b>1,494,342</b>	<b>1,739,442</b>
Temporarily restricted (Note 13)	<u>486,513</u>	<u>370,960</u>
<b>Net Assets</b>	<b><u>1,980,855</u></b>	<b><u>2,110,402</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,614,150</u></b>	<b><u>\$ 6,687,015</u></b>

The accompanying notes are an integral part of this financial statement.

NORTHEAST YOUTH AND FAMILY SERVICES

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Statement of Activities and Changes in Net Assets

For the Year Ended **June 30, 2013**  
(with comparative totals for 2012)

	<u>2013</u>			<u>2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>				
<b><u>Support</u></b>				
Grants	\$ 592,028	\$ -	\$ 592,028	\$ 383,500
Contributions	264,184	155,727	419,911	159,020
Special events	55,181	-	55,181	53,555
In-kind contributions	1,125	-	1,125	95
<b><u>Revenue</u></b>				
Program service fees	2,250,640	-	2,250,640	3,350,940
Rental income	179,223	-	179,223	162,719
Investment income (Note 2)	1,148	-	1,148	2,564
Conference fees	30,854	-	30,854	24,351
Miscellaneous	1,065	-	1,065	(492)
<b>Net Assets Released from Restrictions</b>	<u>40,174</u>	<u>(40,174)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>3,415,622</u>	<u>115,553</u>	<u>3,531,175</u>	<u>4,136,252</u>
<b><u>Expenses</u></b>				
<b><u>Program Services</u></b>				
Mental health	800,352	-	800,352	676,987
Community services	804,937	-	804,937	705,023
NET services program	<u>1,584,762</u>	<u>-</u>	<u>1,584,762</u>	<u>2,140,797</u>
<b>Total Program Services</b>	<u>3,190,051</u>	<u>-</u>	<u>3,190,051</u>	<u>3,522,807</u>
Management and general	191,336	-	191,336	215,719
Fund raising	167,480	-	167,480	183,897
Building rental expense	<u>111,855</u>	<u>-</u>	<u>111,855</u>	<u>124,119</u>
<b>Total Supporting Services</b>	<u>470,671</u>	<u>-</u>	<u>470,671</u>	<u>523,735</u>
<b>Total Expenses</b>	<u>3,660,722</u>	<u>-</u>	<u>3,660,722</u>	<u>4,046,542</u>
<b>Increase (Decrease) in Net Assets</b>	(245,100)	115,553	(129,547)	89,710
<b>Net Assets, Beginning of Year</b>	<u>1,739,442</u>	<u>370,960</u>	<u>2,110,402</u>	<u>2,020,692</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,494,342</u>	<u>\$ 486,513</u>	<u>\$ 1,980,855</u>	<u>\$ 2,110,402</u>

The accompanying notes are an integral part of this financial statement.

NORTHEAST YOUTH AND FAMILY SERVICES

Statement of Functional Expenses

For the Year Ended **June 30, 2013**  
(with comparative totals for 2012)

	2013				2012				
	PROGRAM SERVICES			SUPPORTING SERVICES					
	Mental Health	Community Services	NET Services Program	Total	Management and General	Fund Raising	Building Rental Expense	Total	Total
Salaries	\$ 599,924	\$ 537,065	\$ 915,532	\$ 2,052,521	\$ 101,547	\$ 92,095	\$ 85,290	\$ 2,331,453	\$ 2,681,087
Retirement plan contributions	(3,883)	2,603	3,418	2,138	1,222	(483)	(138)	2,739	-
Employee benefits	55,134	40,310	110,664	206,108	6,987	10,851	7,180	231,126	284,462
Payroll taxes	40,997	38,385	63,386	142,768	6,429	6,639	6,310	162,146	218,948
<b>Total Salaries and Related Benefits</b>	<b>692,172</b>	<b>618,363</b>	<b>1,093,000</b>	<b>2,403,535</b>	<b>116,185</b>	<b>109,102</b>	<b>98,642</b>	<b>2,727,464</b>	<b>3,184,497</b>
Program supplies and activities	-	10,304	7,442	17,746	4,318	-	-	22,064	53,076
Professional services	8,846	43,561	11,967	64,374	3,576	2,058	230	70,238	28,759
Office supplies	2,579	5,256	9,251	17,086	2,108	746	282	20,222	18,135
Other supplies	4,257	8,669	18,095	31,021	2,783	966	-	34,770	37,873
Telephone	2,166	4,856	5,159	12,181	1,507	628	1,042	15,358	20,341
Postage	2,186	1,365	4,396	7,947	342	1,110	156	9,555	8,776
Occupancy	18,430	38,012	126,504	182,946	13,131	10,738	-	206,815	140,197
Equipment rentals	1,586	2,181	6,558	10,325	566	821	260	11,972	9,053
Capital purchases	1,988	1,457	11,112	14,557	1,975	966	330	17,828	17,694
Printing	296	426	586	1,308	78	1,956	44	3,386	6,159
Travel	3,475	16,947	546	20,968	4,816	63	534	26,381	41,159
Conferences and meetings	18,272	1,492	2,695	22,459	722	1,226	24	24,431	27,037
Interest	7,698	11,548	119,306	138,552	8,468	6,159	-	153,179	161,161
Advertising	585	289	-	874	-	400	-	1,274	3,799
Board expenses	-	-	-	-	90	-	-	90	192
Consulting services	150	2,800	-	2,950	2,440	7,615	5,879	18,884	4,410
Dues and memberships	1,691	2,098	-	3,789	419	2,297	-	6,505	5,360
Insurance	9,739	9,026	29,090	47,855	1,660	965	949	51,429	55,726
Licenses and fees	2,482	400	1,273	4,155	370	-	-	4,525	4,758
Internet expense	27	943	466	1,436	27	17	31	1,511	1,703
Miscellaneous	6,822	2,624	4,354	13,800	3,223	946	372	18,341	10,912
Special events	-	-	-	-	-	11,261	-	11,261	11,511
<b>Total Expenses Before Depreciation and Amortization</b>	<b>785,447</b>	<b>782,617</b>	<b>1,451,800</b>	<b>3,019,864</b>	<b>168,804</b>	<b>160,040</b>	<b>108,775</b>	<b>3,457,483</b>	<b>3,852,288</b>
Depreciation and amortization	14,905	22,320	132,962	170,187	22,532	7,440	3,080	203,239	194,254
<b>Total Expenses</b>	<b>\$ 800,352</b>	<b>\$ 804,937</b>	<b>\$ 1,584,762</b>	<b>\$ 3,190,051</b>	<b>\$ 191,336</b>	<b>\$ 167,480</b>	<b>\$ 111,855</b>	<b>\$ 3,660,722</b>	<b>\$ 4,046,542</b>
% to total excluding building rental expense	23 %	23 %	44 %	90 %	5 %	5 %		100 %	
% to total including building rental expense	22 %	22 %	43 %	87 %	5 %	5 %	3 %	100 %	

The accompanying notes are an integral part of this financial statement.



**NORTHEAST YOUTH AND FAMILY SERVICES**

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Statement of Cash Flows

For the Years Ended **June 30, 2013** and 2012

<b><u>Cash Flows From (Used by) Operating Activities</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Increase (decrease) in net assets	\$ (129,547)	\$ 89,710
<b>Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:</b>		
Depreciation and amortization	203,239	194,254
<b>Increase (decrease) in cash flows from:</b>		
Accounts receivable	28,057	41,855
Pledges receivable	10,115	(17,527)
Grants receivable	(224,995)	35,152
Prepayments	(18,828)	(11,033)
Long-term pledges receivable	-	31,528
Deposits	-	2,600
Accounts payable	2,009	(4,746)
Accrued payroll and payroll taxes	(65,307)	74,083
Compensated absences payable	46,664	(32,997)
Accrued expenses	(3,601)	(4,772)
Deferred revenue	83,640	(55,332)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(68,554)</b>	<b>342,775</b>
<b><u>Cash Flows From Investing Activities</u></b>		
Change in investments - Board designated	(1,130)	38,824
Purchase of property and equipment	-	(146,364)
<b>Net Cash Used by Investing Activities</b>	<b>(1,130)</b>	<b>(107,540)</b>
<b><u>Cash Flows Used by Financing Activities</u></b>		
Payments of long-term debt	(114,081)	(106,316)
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>(183,765)</b>	<b>128,919</b>
<b>Cash and Equivalents, Beginning of Year</b>	<b>481,653</b>	<b>352,734</b>
<b>Cash and Equivalents, End of Year</b>	<b>\$ 297,888</b>	<b>\$ 481,653</b>

**Supplemental Disclosures of Cash Flows Information**

	<b><u>2013</u></b>	<b><u>2012</u></b>
Cash Paid During the Year for:		
Interest Paid	\$ 153,819	\$ 161,584

The accompanying notes are an integral part of this financial statement.

Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 1 NATURE OF ACTIVITIES**

*Nature of Activities*

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

*Out-Patient Mental Health Services:*

Counseling Services - NYFS has licensed mental health professionals that offer counseling services for individual and families ages 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 children with ADHD, parenting teens, and anger management for youth. New groups are developed as needed.

*Northeast 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 academic instruction to address the needs of severely emotionally disturbed youth.

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

Academic Instruction - Provided by Moundsvew School District Special Education teachers. Classes are smaller and more individualized to meet specific educational needs of our clients.

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

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

*Community Services:*

Youth Employment Program - This program helps youth ages 14-17 explore career opportunities, learn practical job-seeking skills, and secure first time employment.

Senior Chore Program - Senior Chore links youth age 14 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

June 30, 2013 and 2012

**NOTE 1 NATURE OF ACTIVITIES (CONTINUED)**

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.

STEP - (Science plus tutoring equals pride) STEP helps underachieving youth improve academic performance through tutoring, mentoring and community service activities.

Mentoring Plus - This program provides mentoring services for youth with mental health issues to foster sound skills and the ability to access community resources.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES**

**Financial Statement Presentation**

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

The Organization follows the "Financial Statements of Not-for-Profit Organizations" standard which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

**Unrestricted net assets** have no donor imposed restrictions, or the donor imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

**Temporarily restricted net assets** have donor imposed restrictions that are satisfied either by the passage of time or expenditures that meet the donor specified purpose.

**Permanently restricted net assets** have donor imposed restrictions which do not expire.

**Accounting 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 and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**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 extended 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. There was no allowance for pledges or grants for the years ended **June 30, 2013** and 2012.

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 payers. Management reviews receivables by payer 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. The Organization does not charge interest on accounts receivable. For the years ended **June 30, 2013** and 2012, the Organization had allowance for bad debts of **\$16,693** and \$59,661, respectively.

**Investments**

Investments are stated at cost and consist of certificates of deposits. The investments at **June 30, 2013** and 2012 totaled **\$358,162** and \$357,032, respectively, and are Board designated for future endowment purpose, building reserve, and general operations.

Realized gains and losses are included in the Statement of Activities and Changes in Net Assets.

Investment income consists entirely of interest earned on certificates of deposit.

## Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. 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 provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	39 Years
Furniture and equipment	5-10 Years

**Intangible Assets**

Intangible assets consist of costs associated with locating tenants and deferred financing costs. The assets are being amortized using the straight-line method over the term of the asset.

**Contributed Property and Services**

In accordance with 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, as 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 fair market value at the date of the 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.

**Income Taxes**

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. Building rental activities are not directly related to the Organization's tax exempt purpose and are subject to taxation as unrelated income.

The Organization follows a "more likely than not" criterion for recognizing the tax benefit of uncertain tax positions. The Organization has identified no such exposures. The current tax years open are 2008 through 2012. During the upcoming 12 months, the Organization expects no material changes to occur related to Accounting for Uncertainty in Income Taxes.

The Organization recognizes interest and penalties related to income taxes in operating expenses. The amount of interest and penalties currently recognized in tax expense totaled \$0 and \$0 for the years ended **June 30, 2013** and 2012, respectively.

## Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****Functional Expense Allocation**

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation measures determined by management.

**Summarized Financial Information**

The financial information shown in the totals column as of June 30, 2012, and for the year then ended, is presented for comparative purposes only and is not intended to be a complete financial statement presentation. Data in these columns are not intended to present financial position or results of operations in conformity with accounting principals generally accepted in the United States of America. Such information should be read in conjunction with the **Northeast Youth and Family Services** financial statements for the year ended June 30, 2012, from which the summarized information is derived.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense totaled **\$1,274** and \$3,799 for the years ended **June 30, 2013** and 2012, respectively.

**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.

**NOTE 3      CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**NORTHEAST YOUTH AND FAMILY SERVICES**

Notes to Financial Statements

**June 30, 2013 and 2012**

**NOTE 4      COLLABORATIVE AGREEMENT**

The Organization was acting as the fiscal agent for Ramsey County Children's Mental Health Collaborative. The Organization received and disbursed funds on their behalf. This contract ended prior to **June 30, 2013**. As a fiscal agent, the Organization does not record revenue or expense, but only assets and liabilities of the agency. At **June 30, 2013** and 2012, the Organization had fiscal agent cash of **\$0** and \$666,830; a receivable of **\$0** and \$225,812; and, a fiscal agent payable of **\$0** and \$892,642.

During the year ended **June 30, 2013** and 2012, the Organization was paid **\$60,387** and \$88,538, respectively, from the Collaborative for services related to being the fiscal agent.

**NOTE 5      ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at **June 30, 2013** and 2012:

	<b>2013</b>	<b>2012</b>
Accounts receivable, Mental Health Services	\$ <b>72,636</b>	\$ 64,647
Allowance for doubtful accounts and contractual adjustments	<u><b>(16,693)</b></u>	<u>(27,168)</u>
	<b>55,943</b>	37,479
Accounts receivable, NET Services	<b>11,006</b>	90,020
Allowance for doubtful accounts and contractual adjustments	<u>-</u>	<u>(32,493)</u>
	<u><b>11,006</b></u>	<u>57,527</u>
<b>Total Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments</b>	<b>\$ <u>66,949</u></b>	<b>\$ <u>95,006</u></b>

**NOTE 6      PLEDGES RECEIVABLE**

Contributions receivable at **June 30, 2013** and 2012, are measured at present value of estimated future cash flows. Collection of receivables is expected as follows:

	<b>2013</b>	<b>2012</b>
Due in less than one year	\$ <u><b>8,455</b></u>	\$ <u>18,570</u>
<b>Total Contributions Receivable</b>	<b>\$ <u>8,455</u></b>	<b>\$ <u>18,570</u></b>

The pledges receivable have been discounted to present value using a discount rate of 5 percent.

**NORTHEAST YOUTH AND FAMILY SERVICES**

Notes to Financial Statements

**June 30, 2013 and 2012**

**NOTE 7 INTANGIBLE ASSETS**

At **June 30, 2013** and 2012, intangible assets consist of the following:

	<u>2013</u>			<u>2012</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Prepaid mortgage costs	\$ 56,219	\$ 12,181	\$ 44,038	\$ 56,219	\$ 6,559	\$ 49,660
Leasing costs	<u>28,750</u>	<u>7,666</u>	<u>21,084</u>	<u>28,750</u>	<u>1,916</u>	<u>26,834</u>
	<u>\$ 84,969</u>	<u>\$ 19,847</u>	<u>\$ 65,122</u>	<u>\$ 84,969</u>	<u>\$ 8,475</u>	<u>\$ 76,494</u>

Amortization of intangible assets for the years ended **June 30, 2013** and 2012, was **\$11,372** and **\$7,539**, respectively. The prior year prepaid mortgage costs were written-off in the current year when new financing was put in place.

The aggregate annual amortization of intangible assets at **June 30, 2013**, is:

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 11,372
2015	11,372
2016	11,372
2017	5,750
2018	5,750
After 2018	<u>19,506</u>
	<u>\$ 65,122</u>

**NOTE 8 NET SERVICES**

The NETS program is funded by contracts with a variety of school districts including Moundsvew, Spring Lake Park, North St. Paul, White Bear Lake, Roseville, Columbia Heights, Centennial, and St. Paul. The contract period extends from July 1, 2012 through **June 30, 2013**. Per the contract, NYFS receives a specified dollar amount per student for services rendered.

**NOTE 9 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 Organization also provides mental health services on a sliding fee basis for individuals who do not have insurance and can not afford to pay the full cost of therapy.

Approximately twenty-five percent of Mental Health charges are contractual adjustments as a result of the reimbursement rates paid by insurance companies.



Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 10 LINE OF CREDIT**

At **June 30, 2013**, the Organization has a revolving credit line available from Anchor Bank for \$200,000, maturing February, 2014. The credit line bears interest at a base rate plus 1 percent (**6.17% at June 30, 2013**) and is secured by an agreement on the assets of the Organization.

The outstanding balance at **June 30, 2013** and 2012, is **\$0** and \$0, respectively.

**NOTE 11 LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Mortgage payable to Anchor Bank Heritage, N.A. bearing interest at 4.53% with monthly installments of \$11,650, matures May, 2021. Secured by building.	\$ 3,030,863	\$ 3,031,436
Mortgage payable Anchor Bank Heritage, N.A. bearing interest at 6.76% with monthly installments of \$10,675, matures September, 2014. Secured by building.	<u>150,500</u>	<u>264,008</u>
<b>Total</b>	<b>3,181,363</b>	3,295,444
Less: Current maturities	<u>122,000</u>	<u>114,000</u>
<b>Total Long-Term Debt</b>	<b>\$ <u>3,059,363</u></b>	<b>\$ <u>3,181,444</u></b>

The Organization was noncompliant with a debt covenant during 2013, and obtained a waiver notification for the noncompliance. Anchor Bank will not consider the Organization in default due to noncompliance and waives Anchor Bank's rights through June 30, 2014, for the conditions that existed on **June 30, 2013**.

The aggregate annual maturities of long-term debt at **June 30, 2013**, are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 122,000
2015	122,000
2016	128,000
2017	134,000
2018	141,000
After 2018	<u>2,534,363</u>
	<b>\$ <u>3,181,363</u></b>

**NORTHEAST YOUTH AND FAMILY SERVICES**

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Notes to Financial Statements

**June 30, 2013 and 2012**

**NOTE 12 LEASE OBLIGATIONS**

*As Lessee*

The Organization is obligated under a operating leases for equipment, beginning to expire in October, 2015. Total rent per year will be \$8,844.

Rent expense for leases was approximately **\$6,736** and \$5,700 for the year ended **June 30, 2013** and 2012, respectively.

The following is a schedule of future minimum lease payments under operating leases:

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 8,844
2015	8,844
2016	4,502
<b>Total Minimum Future Lease Payments</b>	<b><u>\$ 22,190</u></b>

*As Lessor*

The Organization leases office space in the building it occupies to tenants under noncancelable operating leases with terms of three to seven years.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 172,000
2015	172,000
2016	108,000
2017	43,000
<b>Total Minimum Future Lease Payments</b>	<b><u>\$ 495,000</u></b>

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Suburban Ramsey Family	\$ -	\$ 4,884
Wilder Foundation	-	3,716
YIPA	-	20,845
Foundation and Individuals - Capital Contributions	<b>481,506</b>	330,786
Municipalities	-	10,729
Target	<b>5,007</b>	-
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 486,513</u></b>	<b><u>\$ 370,960</u></b>

Notes to Financial Statements

June 30, 2013 and 2012

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

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

	<u>2013</u>	<u>2012</u>
Municipalities	\$ 10,729	\$ -
Wilder Foundation	3,716	-
YIPA	20,845	-
Foundation and Individuals - Capital Contributions	-	15,382
Fiscal Agent Contract	-	44,269
Suburban Ramsey Family	4,884	7,616
Minnesota Arts Board	-	7,900
Under \$5,000	-	20
<b>Total Temporarily Restricted Net Assets Released</b>	<b><u>\$ 40,174</u></b>	<b><u>\$ 75,187</u></b>

**NOTE 14 RETIREMENT PLAN**

Employees are eligible to participate in the sponsored 401k Trust Plan 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 for the years ended **June 30, 2013** and 2012, were approximately **\$0** and \$0, respectively. The matching portion was suspended January 1, 2010.

**NOTE 15 RECLASSIFICATIONS**

Certain amounts reported for 2012 have been reclassified to conform with **2013** presentation. The reclassifications have no effect on previously reported net assets and increase (decrease) in net assets for the year then ended June 30, 2012.

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

Substantially all support and revenue is received from individual, charitable organizations, foundations, and governmental entities; therefore, the continuation of certain programs for 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 grants and their terms it has accommodated the objectives of the Organization to the provisions of the grants.

Notes to Financial Statements

**June 30, 2013 and 2012**

**NOTE 17 SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 31, 2013, the date the financial statements were available to be issued. The Organization signed an agreement to lease space to Mounds View school district on August 15, 2013, for 6 years.