

**NORTHWEST YOUTH AND  
FAMILY SERVICES**

**REPORT ON AUDIT**

**JUNE 30, 2012**



**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 Northwest Youth and Family Services**

We have audited the accompanying statement of financial position of **Northwest Youth and Family Services** (a Minnesota nonprofit organization) as of **June 30, 2012**, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 2011 financial statements and in our report dated October 31, 2011, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northwest Youth and Family Services** as of **June 30, 2012**, 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.

**December 11, 2012**

A handwritten signature in black ink that reads "Lethert, Skwira, Schultz &amp; Co. LLP".

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

**NORTHWEST YOUTH AND FAMILY SERVICES**

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**NORTHWEST YOUTH AND FAMILY SERVICES**

Statement of Financial Position

**June 30, 2012**

(with comparative totals for 2011)

<u><b>ASSETS</b></u>	<b>2012</b>	<b>2011</b>
<u><b>Current Assets</b></u>		
Cash and equivalents	\$ 481,653	\$ 352,734
Cash, restricted (Note 4)	666,830	433,117
Accounts receivable, net of allowance for doubtful accounts, <b>2012, \$59,661</b> and 2011, \$53,760 (Note 5)	95,006	136,861
Pledges receivable (Note 6)	18,570	1,043
Grants receivable	40,134	75,286
Fiscal Agency receivable (Note 4)	225,812	260,507
Prepayments	41,128	30,095
<b>Total Current Assets</b>	<b>1,569,133</b>	<b>1,289,643</b>
<u><b>Property and Equipment</b></u>		
Land	480,000	480,000
Building and improvements	5,247,908	5,137,841
Furniture and equipment	131,298	123,752
<b>Total</b>	<b>5,859,206</b>	<b>5,741,593</b>
Less: Accumulated depreciation	1,174,850	988,135
<b>Total Property and Equipment</b>	<b>4,684,356</b>	<b>4,753,458</b>
<u><b>Other Assets</b></u>		
Long-term investments (Note 2)	357,032	395,856
Long-term pledges receivable, net of present value adjustment (Note 6)	-	31,528
Deposits	-	2,600
Intangible assets (Note 7)	76,494	55,282
<b>Total Other Assets</b>	<b>433,526</b>	<b>485,266</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,687,015</b>	<b>\$ 6,528,367</b>

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

**NORTHWEST YOUTH AND FAMILY SERVICES**

Statement of Financial Position

**June 30, 2012**

(with comparative totals for 2011)

<b><u>LIABILITIES AND NET ASSETS</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b><u>Current Liabilities</u></b>		
Current maturities of long-term debt	\$ 114,000	\$ 107,000
Accounts payable	5,147	9,893
Fiscal agency payable (Note 4)	892,642	693,624
Accrued payroll and payroll taxes	95,101	21,018
Compensated absences payable	145,706	178,703
Accrued expenses	28,451	33,223
Security deposits	10,220	10,220
Deferred revenue	<u>103,902</u>	<u>159,234</u>
<b>Total Current Liabilities</b>	<b>1,395,169</b>	<b>1,212,915</b>
<b><u>Long-Term Debt (Note 11)</u></b>		
Long-term debt	3,295,444	3,401,760
Less: Current maturities	<u>114,000</u>	<u>107,000</u>
<b>Total Long-Term Debt</b>	<b>3,181,444</b>	<b>3,294,760</b>
<b><u>Net Assets</u></b>		
<b><u>Unrestricted:</u></b>		
Undesignated	1,694,626	1,518,363
Designated for future endowment	17,076	17,020
Designated for building reserve	117,986	117,452
Designated for general operations	<u>221,970</u>	<u>261,384</u>
<b>Total Unrestricted</b>	<b>2,051,658</b>	<b>1,914,219</b>
Temporarily restricted (Note 13)	<u>58,744</u>	<u>106,473</u>
<b>Net Assets</b>	<b><u>2,110,402</u></b>	<b><u>2,020,692</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 6,687,015</u></b>	 <b><u>\$ 6,528,367</u></b>

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

NORTHWEST YOUTH AND FAMILY SERVICES

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2012  
(with comparative totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<b><u>Support and Revenue</u></b>				
<b><u>Support</u></b>				
Grants	\$ 383,500	\$ -	\$ 383,500	\$ 404,876
Contributions	131,562	27,458	159,020	71,648
Special events	53,555	-	53,555	48,990
In-kind contributions	95	-	95	12,422
<b><u>Revenue</u></b>				
Program service fees	3,350,940	-	3,350,940	3,576,368
Rental income	162,719	-	162,719	166,760
Investment income (Note 2)	2,564	-	2,564	7,758
Conference fees	24,351	-	24,351	18,286
Miscellaneous	(492)	-	(492)	1,386
Loss on disposal of property	-	-	-	(223)
<b>Total Support and Revenue</b>	<b>4,108,794</b>	<b>27,458</b>	<b>4,136,252</b>	<b>4,308,271</b>
<b><u>Expenses</u></b>				
<b><u>Program Services</u></b>				
Mental health	676,987	-	676,987	650,026
Community services	705,023	-	705,023	946,089
NET services program	2,140,797	-	2,140,797	2,000,368
<b>Total Program Services</b>	<b>3,522,807</b>	<b>-</b>	<b>3,522,807</b>	<b>3,596,483</b>
Management and general	215,719	-	215,719	143,855
Fund raising	183,897	-	183,897	194,307
Building rental expense	124,119	-	124,119	397,281
<b>Total Supporting Services</b>	<b>523,735</b>	<b>-</b>	<b>523,735</b>	<b>735,443</b>
Total Expenses	4,046,542	-	4,046,542	4,331,926
Restrictions satisfied by payments	75,187	(75,187)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>137,439</b>	<b>(47,729)</b>	<b>89,710</b>	<b>(23,655)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,914,219</b>	<b>106,473</b>	<b>2,020,692</b>	<b>2,044,347</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,051,658</b>	<b>\$ 58,744</b>	<b>\$ 2,110,402</b>	<b>\$ 2,020,692</b>

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

NORTHWEST YOUTH AND FAMILY SERVICES

Statement of Functional Expenses

For the Year Ended **June 30, 2012**  
(with comparative totals for 2011)

	2012				2011				
	PROGRAM SERVICES			SUPPORTING SERVICES					
	Mental Health	Community Services	NET Services Program	Total	Management and General	Fund Raising	Building Rental Expense	Total	Total
Salaries	\$ 491,653	\$ 471,701	\$ 1,399,546	\$ 2,362,900	\$ 127,572	\$ 109,398	\$ 81,217	\$ 2,681,087	\$ 2,803,543
Retirement plan contributions	(3,484)	905	3,422	843	1,289	(1,677)	(455)	-	-
Employee benefits	59,079	42,301	153,120	254,500	11,685	17,152	1,125	284,462	282,183
Payroll taxes	38,692	40,431	113,700	192,823	10,217	9,223	6,685	218,948	171,567
<b>Total Salaries and Related Benefits</b>	<b>585,940</b>	<b>555,338</b>	<b>1,669,788</b>	<b>2,811,066</b>	<b>150,763</b>	<b>134,096</b>	<b>88,572</b>	<b>3,184,497</b>	<b>3,257,293</b>
Program supplies and activities	-	33,520	16,249	49,769	3,307	-	-	53,076	91,136
Professional services	4,819	4,899	13,254	22,972	4,004	1,046	737	28,759	33,758
Office supplies	1,149	2,856	10,904	14,909	1,231	1,995	-	18,135	20,355
Other supplies	3,361	6,511	22,615	32,487	3,566	906	914	37,873	37,443
Telephone	1,197	7,617	9,138	17,952	693	655	1,041	20,341	22,985
Postage	2,110	699	4,372	7,181	259	1,336	-	8,776	8,832
Occupancy	10,697	13,919	80,631	105,247	7,404	5,821	21,725	140,197	238,568
Equipment rentals	839	219	6,676	7,734	415	531	373	9,053	9,857
Capital purchases	1,165	1,077	9,401	11,643	3,850	1,823	378	17,694	21,547
Printing	178	791	3,611	4,580	240	1,306	33	6,159	4,406
Travel	3,289	28,545	1,768	33,602	5,042	184	2,331	41,159	30,791
Conferences and meetings	17,019	2,435	5,533	24,987	1,112	928	10	27,037	30,925
Interest	8,079	12,119	126,036	146,234	8,464	6,463	-	161,161	216,141
Advertising	295	441	256	992	30	2,777	-	3,799	1,391
Board expenses	-	-	-	-	192	-	-	192	-
Consulting services	1,350	1,199	1,200	3,749	220	441	-	4,410	8,007
Dues and memberships	934	1,316	407	2,657	537	2,166	-	5,360	5,813
Insurance	6,570	9,316	31,766	47,652	2,724	1,501	3,849	55,726	61,793
Licenses and fees	1,568	-	3,190	4,758	-	-	-	4,758	3,634
Internet expense	47	226	1,261	1,534	(4)	77	96	1,703	2,181
Miscellaneous	2,826	1,100	941	4,867	3,691	1,374	980	10,912	4,927
Special events	-	-	-	-	-	11,511	-	11,511	10,355
<b>Total Expenses Before Depreciation</b>	<b>653,432</b>	<b>684,143</b>	<b>2,018,997</b>	<b>3,356,572</b>	<b>197,740</b>	<b>176,937</b>	<b>121,039</b>	<b>3,852,288</b>	<b>4,122,138</b>
Depreciation	23,555	20,880	121,800	166,235	17,979	6,960	3,080	194,254	209,788
<b>Total Expenses</b>	<b>\$ 676,987</b>	<b>\$ 705,023</b>	<b>\$ 2,140,797</b>	<b>\$ 3,522,807</b>	<b>\$ 215,719</b>	<b>\$ 183,897</b>	<b>\$ 124,119</b>	<b>\$ 4,046,542</b>	<b>\$ 4,331,926</b>
% to total excluding building rental expense	17 %	18 %	54 %	90 %	5 %	5 %		100 %	
% to total including building rental expense	17 %	17 %	53 %	87 %	5 %	5 %	3 %	100 %	

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

**NORTHWEST YOUTH AND FAMILY SERVICES**

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Statement of Cash Flows

For the Year Ended **June 30, 2012**  
(with comparative totals for 2011)

<b><u>Cash Flows From Operating Activities</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Increase (decrease) in net assets	\$ <b>89,710</b>	\$ (23,655)
<b>Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
Depreciation and amortization	<b>194,254</b>	209,788
Loss on disposal of property	-	223
<b>Increase (decrease) in cash flows from:</b>		
Accounts receivable	<b>41,855</b>	20,509
Pledges receivable	<b>(17,527)</b>	43,914
Grants receivable	<b>35,152</b>	(35,613)
Prepayments	<b>(11,033)</b>	(21,156)
Long-term pledges receivable	<b>31,528</b>	709
Deposits	<b>2,600</b>	-
Accounts payable	<b>(4,746)</b>	(15,707)
Accrued payroll and payroll taxes	<b>74,083</b>	(4,415)
Compensated absences payable	<b>(32,997)</b>	(3,949)
Accrued retirement contribution	-	(3,284)
Accrued expenses	<b>(4,772)</b>	15,857
Deferred revenue	<b>(55,332)</b>	(70,232)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>342,775</b>	112,989
<b><u>Cash Flows From Investing Activities</u></b>		
Increase in investments - Board designated	<b>38,824</b>	(7,246)
Purchase of property and equipment	<b>(146,364)</b>	(141,410)
Sale of property and equipment	-	1,400
<b>Net Cash Used by Investing Activities</b>	<b>(107,540)</b>	(147,256)
<b><u>Cash Flows From Financing Activities</u></b>		
Proceeds from long-term debt	-	3,420,000
Payments of long-term debt	<b>(106,316)</b>	(3,478,132)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>(106,316)</b>	(58,132)
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>128,919</b>	(92,399)
<b>Cash and Equivalents, Beginning of Year</b>	<b>352,734</b>	445,133
<b>Cash and Equivalents, End of Year</b>	<b>\$ 481,653</b>	\$ 352,734

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



**NORTHWEST YOUTH AND FAMILY SERVICES**

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Statement of Cash Flows

For the Year Ended **June 30, 2012**  
(with comparative totals for 2011)

**Supplemental Disclosures of Cash Flows Information**

	<u>2012</u>	<u>2011</u>
Cash Paid During the Year for:		
Interest Paid	<b>\$ <u>161,584</u></b>	<b>\$ <u>202,612</u></b>

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

Notes to Financial Statements

June 30, 2012 and 2011

**NOTE 1 NATURE OF ACTIVITIES**

*Nature of Activities*

**Northwest Youth & Family Services** (NYFS or Organization) is a private, non-profit organization under 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 licensed mental health professionals offer counseling services for individual 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 children with ADHD, 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.

Educational Program - Provided by Moundsview 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 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. The Target Corporation subsidizes a voucher program for people in need to use at Penny Pinchers. The store was closed during the year ended June 30, 2011.

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.

## Notes to Financial Statements

June 30, 2012 and 2011

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

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.

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. The funding for this program ceased at the end of the fiscal year, and is not expected to be resumed after **June 30, 2012**.

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.

**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 a 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.

## Notes to Financial Statements

June 30, 2012 and 2011

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

**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, 2012** and 2011.

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, 2012** and 2011, the Organization had allowance for bad debts of **\$59,661** and \$53,760, respectively.

## Notes to Financial Statements

June 30, 2012 and 2011

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

Investments are stated at cost and consist of certificates of deposits. The investments at **June 30, 2012** and 2011 totaled **\$357,032** and \$395,856, 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.

**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.

Notes to Financial Statements

June 30, 2012 and 2011

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

**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 2011. 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, 2012** and 2011, respectively.

**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, 2011, 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 **Northwest Youth and Family Services** financial statements for the year ended June 30, 2011, from which the summarized information is derived.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense totaled **\$3,799** and \$1,391 for the years ended **June 30, 2012** and 2011, respectively.

Notes to Financial Statements

June 30, 2012 and 2011

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

**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.

**NOTE 4**      **COLLABORATIVE AGREEMENT**

The Organization is acting as the fiscal agent for Ramsey County Children's Mental Health Collaborative. The Organization receives and disburses funds on their behalf. As a fiscal agent, the Organization does not record revenue or expense, but only assets and liabilities of the agency. At **June 30, 2012** and 2011, the Organization had fiscal agent cash of **\$666,830** and \$433,117; a receivable of **\$225,812** and \$260,507; and, a fiscal agent payable of **\$892,642** and \$693,624.

During the year ended **June 30, 2012** and 2011, the Organization was reimbursed **\$88,538** and \$44,269, respectively, from the Collaborative for expenditures related to fiscal agent services. In addition the Collaborative contracted with the Organization for mental health services in the amount of **\$31,325** for the year ended **June 30, 2012**. During the years ended **June 30, 2012** and 2011, the Organization was reimbursed **\$45,000** for both years of administrative fees from Case Management related to handling all of the case management contracts.

## Notes to Financial Statements

June 30, 2012 and 2011

**NOTE 5** **ACCOUNTS RECEIVABLE**Accounts receivable consists of the following at **June 30, 2012** and 2011:

	<u>2012</u>	<u>2011</u>
Accounts receivable, Mental Health Services	\$ <b>64,647</b>	\$ 58,127
Allowance for doubtful accounts and contractual adjustments	<u>(27,168)</u>	<u>(14,532)</u>
	<b>37,479</b>	43,595
Accounts receivable, NET Services	<b>90,020</b>	132,494
Allowance for doubtful accounts and contractual adjustments	<u>(32,493)</u>	<u>(39,228)</u>
	<u><b>57,527</b></u>	<u>93,266</u>
<b>Total Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments</b>	<b>\$ <u>95,006</u></b>	<b>\$ <u>136,861</u></b>

**NOTE 6** **PLEDGES RECEIVABLE**Contributions receivable at **June 30, 2012** and 2011, are measured at present value of estimated future cash flows. Collection of receivables is expected as follows:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$ <b>18,570</b>	\$ 1,043
Due in one to five years	-	32,909
<b>Total</b>	<b>18,570</b>	33,952
Less: Discount to net present value	<u>-</u>	<u>(1,381)</u>
<b>Total Contributions Receivable</b>	<b>\$ <u>18,570</u></b>	<b>\$ <u>32,571</u></b>

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

**NOTE 7** **INTANGIBLE ASSETS**At **June 30, 2012** and 2011, intangible assets consist of the following:

	<u>2012</u>			<u>2011</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	\$ 6,559	\$ 49,660	\$ 56,219	\$ 937	\$ 55,282
Leasing costs	<u>28,750</u>	<u>1,917</u>	<u>26,833</u>	-	-	-
	<u><b>\$ 84,969</b></u>	<u><b>\$ 8,476</b></u>	<u><b>\$ 76,493</b></u>	<u><b>\$ 56,219</b></u>	<u><b>\$ 937</b></u>	<u><b>\$ 55,282</b></u>

Amortization of intangible assets for the years ended **June 30, 2012** and 2011, was **\$7,539** and \$28,245, respectively. The prior year prepaid mortgage costs were written-off in the current year when new financing was put in place.



## Notes to Financial Statements

June 30, 2012 and 2011

**NOTE 7 INTANGIBLE ASSETS (CONTINUED)**

The aggregate annual amortization of intangible assets at **June 30, 2012** is:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 11,372
2014	11,372
2015	11,372
2016	11,372
2017	9,455
After 2017	21,550
	<u>\$ 76,493</u>

**NOTE 8 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, 2011 through **June 30, 2012**. 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 that NYFS is over funded or underfunded, such amounts will be reconciled and paid subsequent to the contract period end of **June 30, 2012**. Any amount overfunded will offset the new contract amount for the period of July 1, 2012 through June 30, 2013.

**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. Day treatment sliding fees are subsidized entirely by the school districts.

Approximately twenty-five percent of Mental Health charges are contractual adjustments as a result of the reimbursement rates paid by insurance companies. All NETS Day Treatment sliding fee charges become contractual adjustments due to the school district subsidies. The amount of contractual adjustments varies from year to year as a result of the variable nature of the mix of clients who have insurance and those who require sliding fees.

## Notes to Financial Statements

June 30, 2012 and 2011

**NOTE 10 LINE OF CREDIT**

At **June 30, 2012**, 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, 2012**) and is secured by an agreement on the assets of the Organization.

The outstanding balance at **June 30, 2012** and 2011, is **\$0** and \$0, respectively.

**NOTE 11 LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2012</u>	<u>2011</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.	\$ 3,031,437	\$ 3,031,793
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>264,008</u>	<u>369,967</u>
<b>Total</b>	<b>3,295,445</b>	3,401,760
Less: Current maturities	<u>114,000</u>	<u>107,000</u>
<b>Total Long-Term Debt</b>	<b>\$ <u>3,181,445</u></b>	<b>\$ <u>3,294,760</u></b>

The Organization was noncompliant with a debt covenant during 2012, 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, 2013, for the conditions that existed on **June 30, 2012**.

The aggregate annual maturities of long-term debt at **June 30, 2012**, are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 114,000
2014	122,000
2015	121,000
2016	128,000
2017	134,000
After 2017	<u>2,676,445</u>
	<b>\$ <u>3,295,445</u></b>

## Notes to Financial Statements

June 30, 2012 and 2011

**NOTE 12 LEASE OBLIGATIONS***As Lessee*

The Organization was obligated under a long-term lease for retail space, that expired January, 2011. Total rent per year including operating costs was approximately \$75,000.

The Organization is obligated under a operating lease for equipment, expiring in October, 2015. Total rent per year will be \$5,736.

Rent expense for these leases was approximately **\$5,700** and \$75,000 for the year ended **June 30, 2012** and 2011, respectively.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2013	\$ 5,680
2014	5,736
2015	5,736
2016	1,912
<b>Total Minimum Future Lease Payments</b>	<b>\$ <u>19,064</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>
2013	\$ 182,000
2014	172,000
2015	172,000
2016	108,000
2017	43,000
<b>Total Minimum Future Lease Payments</b>	<b>\$ <u>677,000</u></b>

## Notes to Financial Statements

June 30, 2012 and 2011

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Suburban Ramsey Family	\$ 4,884	\$ 12,500
Wilder Foundation	3,716	-
YIPA	20,845	-
Foundation and Individuals - Capital		
Contributions	18,570	33,952
Municipalities	10,729	7,832
Minnesota Arts Board	-	7,900
Under \$5,000	-	20
Fiscal Agent contract	-	44,269
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 58,744</b>	<b>\$ 106,473</b>

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

	<u>2012</u>	<u>2011</u>
Target Foundation	\$ -	\$ 10,000
Allianz Life Insurance	-	5,000
The Pentair Foundation	-	5,000
Foundation and Individuals - Capital		
Contributions	15,382	33,430
Fiscal Agent Contract	44,269	-
Suburban Ramsey Family	7,616	-
Minnesota Arts Board	7,900	-
Under \$5,000	20	6,493
<b>Total Temporarily Restricted Net Assets Released</b>	<b>\$ 75,187</b>	<b>\$ 59,923</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, 2012** and 2011, were approximately **\$0** and \$0, respectively. The matching portion was suspended January 1, 2010.

Notes to Financial Statements

**June 30, 2012 and 2011**

**NOTE 15 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.

**NOTE 16 SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 11, 2012, the date the financial statements were available to be issued. The Organization signed an agreement to provide mental health, diversion, and Senior Chore Services with a new school district on July 2, 2012.