

**NORTHEAST YOUTH AND
FAMILY SERVICES**

REPORT ON AUDIT

JUNE 30, 2019



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 of Northeast Youth and Family Services

We have audited the accompanying financial statements of **Northeast Youth and Family Services** (a nonprofit organization), which comprise the statement of financial position as of **June 30, 2019**, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2019**, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **Northeast Youth and Family Services'** 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated November 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 7, 2019

Lethert, Skwira, Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

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NORTHEAST YOUTH AND FAMILY SERVICES

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Statements of Financial Position

June 30, 2019 and 2018

<u>ASSETS</u>	2019	2018
<u>Current Assets</u>		
Cash and equivalents	\$ 301,902	\$ 518,135
Certificates of deposit	141,974	365,798
Accounts receivable, net of allowance for doubtful accounts, 2019, \$88,628 and 2018, \$90,439 (Note 6)	111,777	110,421
Grants receivable	98,509	126,599
Rent receivable	32,476	27,614
Prepayments	50,343	67,353
Total Current Assets	736,981	1,215,920
<u>Property and Equipment</u>		
Land	480,000	480,000
Building and improvements	5,368,209	5,368,209
Furniture and equipment	144,723	144,723
Total	5,992,932	5,992,932
Less: Accumulated depreciation	2,363,855	2,216,106
Total Property and Equipment	3,629,077	3,776,826
<u>Other Assets</u>		
Long-term investments (Notes 4 and 5)	205,966	-
Intangible assets, net (Note 7)	8,990	12,163
Total Other Assets	214,956	12,163
TOTAL ASSETS	\$ 4,581,014	\$ 5,004,909

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

NORTHEAST YOUTH AND FAMILY SERVICES

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Statements of Financial Position

June 30, 2019 and 2018

<u>LIABILITIES AND NET ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Current Liabilities</u>		
Current maturities of long-term debt	\$ 96,000	\$ 93,000
Accounts payable	9,649	2,228
Fiscal agency payable	-	721
Accrued payroll and payroll taxes	46,084	41,848
Accrued vacation	136,033	161,434
Accrued expenses	11,394	11,133
Other current liabilities	7,551	7,551
Deferred revenue	<u>156,212</u>	<u>173,501</u>
Total Current Liabilities	462,923	491,416
<u>Long-Term Debt (Note 10)</u>		
Long-term debt	2,699,658	2,788,747
Less: Current maturities	<u>96,000</u>	<u>93,000</u>
Total Long-Term Debt	2,603,658	2,695,747
<u>Net Assets</u>		
Without donor restrictions:		
Without donor restrictions	1,313,063	1,678,276
Board Designated for future endowment	17,500	17,191
Board Designated for building reserve	<u>124,474</u>	<u>122,279</u>
Total without donor restrictions	1,455,037	1,817,746
With donor restrictions (Note 12)	<u>59,396</u>	<u>-</u>
Net Assets	<u>1,514,433</u>	<u>1,817,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,581,014</u>	<u>\$ 5,004,909</u>

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

NORTHEAST YOUTH AND FAMILY SERVICES

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Statements of Activities and Changes in Net Assets

For the Year Ended **June 30, 2019**
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Support and Revenue</u>				
<u>Support</u>				
Grants	\$ 591,585	\$ -	\$ 591,585	\$ 582,367
Contributions	22,084	59,396	81,480	65,232
Special events	71,934	-	71,934	91,909
<u>Revenue</u>				
Program service fees	1,668,493	-	1,668,493	1,839,836
Rental income	506,069	-	506,069	489,232
Investment income	19,247	-	19,247	2,471
Miscellaneous	550	-	550	10,647
Total Support and Revenue	2,879,962	59,396	2,939,358	3,081,694
<u>Expenses</u>				
<u>Program Services</u>				
Mental health	1,203,764	-	1,203,764	1,180,945
Community services	385,269	-	385,269	374,120
Day treatment services	1,150,087	-	1,150,087	1,148,236
Total Program Services	2,739,120	-	2,739,120	2,703,301
Management and general	109,668	-	109,668	114,941
Fund raising	207,008	-	207,008	212,936
Building rental expense	186,875	-	186,875	169,528
Total Supporting Services	503,551	-	503,551	497,405
Total Expenses	3,242,671	-	3,242,671	3,200,706
Increase (Decrease) in Net Assets	(362,709)	59,396	(303,313)	(119,012)
Net Assets, Beginning of Year	1,817,746	-	1,817,746	1,936,758
Net Assets, End of Year	\$ 1,455,037	\$ 59,396	\$ 1,514,433	\$ 1,817,746

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

NORTHEAST YOUTH AND FAMILY SERVICES

Statements of Functional Expenses

For the Year Ended **June 30, 2019**
(with comparative totals for 2018)

	2019				2018				
	PROGRAM SERVICES			SUPPORTING SERVICES					
	Mental Health	Community Services	Day Treatment Services	Total	Management and General	Fund Raising	Building Rental Expense	Total	Total
Salaries	\$ 920,307	\$ 247,170	\$ 720,886	\$ 1,888,363	\$ 81,430	\$ 157,259	\$ 58,435	\$ 2,185,487	\$ 2,161,690
Employee benefits	42,467	8,341	30,788	81,596	1,459	38	126	83,219	71,905
Payroll taxes	66,356	17,218	50,968	134,542	4,999	11,993	4,298	155,832	152,781
Total Salaries and Related Benefits	1,029,130	272,729	802,642	2,104,501	87,888	169,290	62,859	2,424,538	2,386,376
Program supplies and activities	-	50,858	387	51,245	1	-	-	51,246	57,819
Professional services	13,107	5,026	10,909	29,042	1,973	1,858	1,047	33,920	31,042
Office supplies	4,753	1,735	2,807	9,295	1,015	618	219	11,147	12,538
Other supplies	6,674	2,444	10,113	19,231	354	237	5,432	25,254	16,976
Telephone	10,998	4,587	2,629	18,214	830	340	434	19,818	21,523
Postage	2,655	1,570	296	4,521	554	989	232	6,296	6,613
Occupancy	45,567	19,350	125,336	190,253	3,991	3,947	49,404	247,595	244,909
Equipment rentals	5,005	2,351	3,015	10,371	344	517	172	11,404	10,757
Capital purchases	16,683	1,165	10,260	28,108	275	611	1,779	30,773	40,459
Printing	1,270	456	954	2,680	317	195	65	3,257	3,202
Travel	3,811	1,602	6,947	12,360	182	86	292	12,920	17,460
Conferences and meetings	5,897	599	2,219	8,715	595	768	40	10,118	11,466
Interest	6,632	2,487	48,639	57,758	4,894	1,658	20,721	85,031	88,020
Advertising	3,921	1,147	2,251	7,319	447	496	-	8,262	7,231
Bank and finance charges	3,629	17	-	3,646	95	167	-	3,908	4,880
Consulting services	7,617	2,734	6,836	17,187	782	2,122	391	20,482	4,270
Dues and memberships	1,746	1,583	1,087	4,416	633	593	58	5,700	5,646
Insurance	20,564	8,205	20,777	49,546	1,959	2,925	3,778	58,208	46,296
Licenses and fees	1,766	63	1,983	3,812	-	-	-	3,812	3,223
Internet expense	126	84	-	210	1	-	-	211	370
Miscellaneous	213	(23)	-	190	(3,635)	-	4,703	1,258	4,931
Special events	-	-	-	-	-	16,591	-	16,591	21,622
Total Expenses Before Depreciation and Amortization	1,191,764	380,769	1,060,087	2,632,620	103,495	204,008	151,626	3,091,749	3,047,629
Depreciation and Amortization	12,000	4,500	90,000	106,500	6,173	3,000	35,249	150,922	153,077
Total Expenses	\$ 1,203,764	\$ 385,269	\$ 1,150,087	\$ 2,739,120	\$ 109,668	\$ 207,008	\$ 186,875	\$ 3,242,671	\$ 3,200,706
% to total excluding building rental expense	39 %	13 %	37 %	90 %	4 %	7 %	6 %	100 %	
% to total including building rental expense	37 %	12 %	35 %	84 %	3 %	6 %	7 %	100 %	

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

NORTHEAST YOUTH AND FAMILY SERVICES

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Statements of Cash Flows

For the Years Ended **June 30, 2019** and 2018

<u>Cash Flows From Operating Activities</u>	2019	2018
Decrease in net assets	\$ (303,313)	\$ (119,012)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	150,922	153,077
Amortization of debt issuance costs	3,237	3,567
Investments	(10,920)	-
Increase (decrease) in cash flows from:		
Certificates of deposit	-	(1,702)
Accounts receivable	(1,356)	55,663
Grants receivable	28,090	90,626
Rent receivable	(4,862)	(27,614)
Prepayments	17,010	11,677
Accounts payable	7,421	(18,749)
Accrued payroll and payroll taxes	4,236	(23,950)
Accrued vacation	(25,401)	(2,275)
Accrued expenses	261	1,596
Deferred revenue	(17,289)	13,749
Net Cash Provided (Used) by Operating Activities	(151,964)	136,653
<u>Cash Flows From Investing Activities</u>		
Redemption of certificate of deposits	228,057	-
Purchase of investments	(200,000)	-
Purchase of property and equipment	-	(34,442)
Net Cash Provided (Used) by Investing Activities	28,057	(34,442)
<u>Cash Flows Used by Financing Activities</u>		
Payments of long-term debt	(92,326)	(81,742)
Net Increase (Decrease) in Cash and Equivalents	(216,233)	20,469
Cash and Equivalents, Beginning of Year	518,135	497,666
Cash and Equivalents, End of Year	\$ 301,902	\$ 518,135

Supplemental Disclosures of Cash Flows Information

	2019	2018
Cash Paid During the Year for:		
Interest Paid	\$ 82,466	\$ 84,637

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

Notes to Financial Statements

June 30, 2019 and 2018

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 - Licensed mental health professionals provide therapy to children, adolescents, adults, and families at our two clinics, on location in schools, and in client's homes. Basic psychiatric care and medication services are also available for children and adolescents.

Educational and Support Groups - NYFS staff offer information and support on issues such as parenting and mindfulness through presentations in the community and educational and support groups.

Day Treatment Services

Northeast Educational and Therapeutic Services (NETS): is a daily, year round program for youth in grades 5 - 12 that combines mental health therapy and academic instruction to address the needs of youth who are severely emotionally disturbed.

REACH Academy: is a special education program of the Mounds View School District run in partnership with NYFS that provides educational instruction and therapeutic support for students in grades 8 - 12 who need emotional and/or behavioral services.

Community Services:

Senior Chore Program - links youth age 14 and older and adults with seniors in need of basic chore and homemaker services that allows them to live independently while fostering intergenerational relationships and gainful work experience for youth.

Diversion Program - works to reduce recidivism among youth ages 10-17 who commit minor offenses through restorative justice strategies and helping youth form positive connections in their community.

Out of School Time (OST) Program: helps at risk youth improve academic achievement through experiential activities that develop personal skills important to long term success and that foster connections to community resources.

Notes to Financial Statements

June 30, 2019 and 2018

**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 standards for external financial reporting by not-for-profit organizations that requires resources be classified for accounting and reporting purposes into two net asset categories according to donor imposed restrictions. A description of the two net asset categories follows.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions into an investment account for the purpose of future financing its mission.

See Note 12 for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions.

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.

Notes to Financial Statements

June 30, 2019 and 2018

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****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 net assets with donor restrictions restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions.

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, 2019** and 2018.

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, 2019** and 2018, the Organization had allowance for bad debts of **\$88,628** and \$90,439, respectively.

Certificates of Deposit

Certificates of deposit (CD) are stated at cost. The CDs at **June 30, 2019** and 2018, totaled **\$141,974** and \$365,798, respectively, and are Board designated for future endowment purpose, building reserve, and general operations.

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

Notes to Financial Statements

June 30, 2019 and 2018

**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

Depreciation expense for the years ended **June 30, 2019** and 2018 was **\$147,749** and \$149,904, respectively.

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 2015 through 2018. 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, 2019** and 2018, respectively.

Notes to Financial Statements

June 30, 2019 and 2018

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

Expenses are charged to program services based on direct expenditures incurred. Certain costs relating to salary, employee benefits, payroll taxes, and occupancy have been allocated for administrative expenses using the indirect method, based on percentage of time spent by management and employees on program activities, determined by management.

Summarized Financial Information

The financial information shown in the totals column as of June 30, 2018, 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, 2018, from which the summarized information is derived.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled **\$8,262** and \$7,231 for the years ended **June 30, 2019** and 2018, respectively.

Compensated Absences

Under the Organization's policies and procedures, employees are granted vacation leave based on the number of years experience they have at the Organization. Employees may accumulate their annual vacation leave benefit throughout the calendar year with a maximum carry over of 80 hours on December 31. Unused accumulated vacation is paid to the employee 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.

Notes to Financial Statements

June 30, 2019 and 2018

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

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the Statement of Activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (d) presenting investment return net of external and direct internal investment expense; and; (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method).

Reclassifications

Certain accounts in 2018 financial statements have been reclassified to conform with the current year financial statement presentation.

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 INVESTMENTS

As of **June 30, 2019** and 2018, the Company held investments as follows:

	<u>2019</u>			<u>2018</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Losses</u>
Equity Investments	<u>\$ 192,856</u>	<u>\$ 205,966</u>	<u>\$ 13,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 4 INVESTMENTS (CONTINUED)

Investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 8,669	\$ 2,471
Gain on sale of investments	(2,533)	-
Unrealized gain on investments	<u>13,111</u>	<u>-</u>
Total Investment Income	<u>\$ 19,247</u>	<u>\$ 2,471</u>

NOTE 5 FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at **June 30, 2019** and 2018.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 5 FAIR VALUE MEASUREMENTS

Level 1 Fair Value Measurements

The fair value of equities and mutual funds is based on quoted net assets values of the shares held by the Association at year-end.

The Organization's investments are reported at fair value in the accompanying Statements of Financial Position.

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds	\$ 10,280	\$ 10,280
Exchange traded funds	<u>195,686</u>	<u>195,686</u>
Total	<u>\$ 205,966</u>	<u>\$ 205,966</u>
<u>June 30, 2018</u>		
Total	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at **June 30, 2019** and 2018:

	<u>2019</u>	<u>2018</u>
Accounts receivable, Mental Health Services	\$ 92,964	\$ 109,670
Allowance for doubtful accounts and contractual adjustments	<u>(41,113)</u>	<u>(49,380)</u>
	51,851	60,290
Accounts receivable, NET Services	107,441	91,190
Allowance for doubtful accounts and contractual adjustments	<u>(47,515)</u>	<u>(41,059)</u>
	<u>59,926</u>	<u>50,131</u>
Total Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments	<u>\$ 111,777</u>	<u>\$ 110,421</u>

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 7 INTANGIBLE ASSETS

At **June 30, 2019** and 2018, intangible assets consist of the following:

	<u>2019</u>			<u>2018</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Value</u>
Leasing costs	\$ <u>15,865</u>	\$ <u>3,702</u>	\$ <u>8,990</u>	\$ <u>15,865</u>	\$ <u>3,702</u>	\$ <u>12,163</u>

Amortization of intangible assets for the years ended **June 30, 2019** and 2018, was **\$3,173** and \$3,173, respectively.

The aggregate annual amortization of intangible assets at **June 30, 2019**, is:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 3,173
2021	3,173
2022	2,644
	<u>\$ 8,990</u>

NOTE 8 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 percent of Mental Health and Day Treatment Services charges are contractual adjustments as a result of the reimbursement rates paid by insurance companies.

NOTE 9 LINE OF CREDIT

At **June 30, 2019**, the Organization has a revolving credit line available from Peoples Bank for \$200,000, maturing September, 2018. The credit line bears interest at a base rate plus 1.50 percent (**6.50% at June 30, 2019**) and is secured by an agreement on the assets of the Organization.

The outstanding balance at **June 30, 2019** and 2018, is **\$0** and \$0, respectively.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 10 LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2019</u>	<u>2018</u>
Mortgage payable to Peoples Bank Midwest bearing interest at 2.91% with monthly installments of \$14,566, matures September, 2040. Secured by building.	\$ 2,768,168	\$ 2,860,493
Unamortized debt issuance costs	<u>(68,510)</u>	<u>(71,746)</u>
Total	2,699,658	2,788,747
Less: Current maturities	<u>96,000</u>	<u>93,000</u>
Total Long-Term Debt	<u>\$ 2,603,658</u>	<u>\$ 2,695,747</u>

The aggregate annual maturities of long-term debt at **June 30, 2019**, are as follows:

<u>Year Ended June 30,</u>	<u>Current Maturities</u>
2020	\$ 96,000
2021	98,000
2022	101,000
2023	104,000
2024	107,000
After 2024	<u>2,262,168</u>
	<u>\$ 2,768,168</u>

NOTE 11 LEASE OBLIGATIONS

As Lessee

The Organization is obligated under a operating leases for equipment, beginning to expire in July, 2020. Total rent per year is \$9,336.

Rent expense for leases was approximately **\$9,840** and \$9,336 for the year ended **June 30, 2019** and 2018, respectively.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 9,840
2021	3,768
2022	3,216
2023	<u>1,340</u>
Total Minimum Future Lease Payments	<u>\$ 18,164</u>

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 11 LEASE OBLIGATIONS (CONTINUED)

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>
2020	\$ 163,000
2021	112,000
2022	74,000
Total Minimum Future Lease Payments	<u>\$ 349,000</u>

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Restricted due to timing	\$ 14,000	\$ -
Restricted for purpose	45,396	-
Total net assets with donor restrictions	<u>\$ 59,396</u>	<u>\$ -</u>

NOTE 13 RETIREMENT PLAN

Employees are eligible to participate in the sponsored 401(k) Trust Plan after 30 days of service with the Organization.

Employer contributions to the plan for the years ended **June 30, 2019** and 2018 were **\$0** and **\$0**, respectively.

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 301,902	\$ 518,135
Certificates of deposit	141,974	365,798
Receivables	242,762	264,634
Long-term investments	<u>205,966</u>	<u>-</u>
Total financial assets available within one year	892,604	1,148,567
Less:		
Amounts Unavailable to management without Board's approval:		
Certificates of deposit	<u>141,974</u>	<u>139,471</u>
Total amounts available to management for general expenditure within one year	\$ <u>750,630</u>	\$ <u>1,009,096</u>

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in investments and money market funds. The Board of Directors direct these investments, and review any all requests by management to move designated funds for management use. At **June 30, 2019** and 2018, the amounts of financial assets available to management for operations were **\$750,630** and \$1,009,096, and operation annual costs were **\$3,242,671** and \$3,200,706, respectively. Management feels that it has the ability to cover the annual necessary expenses for the upcoming year with financial assets available. Management also has the ability to request additional funds from board designated cash and investments upon review by the board.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Substantially all support and revenue is received from individuals, 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, 2019 and 2018

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued an accounting standard that will result in changes to the timing of when a Organization will recognize income. Revenues will be recognized when the promised goods or services are transferred to its customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This standard also included expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the Organization's contracts with customers. The provisions of this statement are effective for the Organization's financial statements for the year ending June 30, 2020.

The FASB has issued an accounting standard that will result in significant changes to financial reporting and disclosures related to both operating and capital leases. The new lease standard is intended to increase transparency and comparability among companies that lease buildings, equipment, and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. The provisions of this statement are effective for the Organization's financial statements for the year ending June 30, 2022.

NOTE 17 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **November 7, 2019**, the date the financial statements were available to be issued. Subsequent to year-end, a new lease was signed for 5 years with the Organization's largest tenant.