



Northwest Youth & Family Services
Developing Healthy Lives

NORTHWEST YOUTH & FAMILY SERVICES

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NORTHWEST YOUTH & FAMILY SERVICES
BOARD OF DIRECTORS AND KEY PERSONNEL
JUNE 30, 2009

Board of Directors

Name	Title
Peggy St. Germain	Chair
Amanda Little	Vice Chair
David L. Norrgard	Secretary
Dean T. Maschka	Treasurer
Tom Baldwin	Member
Shelly Boss	Member
Karen M. Charlson	Member
Judith A. Cognetta	Member
Brenda J. Holden	Member
Blake C. Huffman	Member
Alan Hull	Member
Robert J. Jacobson	Member
Peggy Kennedy	Member
Peter C. Lindstrom	Member
Wendell Maddox	Member
Mary Jo McGuire	Member
Joel C. Olson	Member
Gloria Alvarez Pederson	Member
Tammy Pust	Member
Jim Roth ⁽¹⁾	Member
Bettie J. Seitzer	Member
Carrie J. Walker	Member
Marlin Rudebusch ⁽²⁾	Member

(1) Board member through February 2009

(2) Board member through October 2008

Key Personnel

Jerry Hromatka ⁽³⁾	President & CEO
Ken Pazdernik	Chief Financial Officer
Jill Buckingham	Director of Day Treatment Services
Rachel Cain	Director of Outpatient Mental Health
Adel Chamoun	Director of Development
Tim Gusk	Director of Community Services

(3) Kay Andrews was President & CEO through February 1, 2009



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of **Northwest Youth & Family Services** (Organization), as of June 30, 2009, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and in our report dated October 15, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northwest Youth & Family Services**, as of June 30, 2009, 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.

Eide Bailly LLP

Minneapolis, Minnesota
October 9, 2009

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NORTHWEST YOUTH & FAMILY SERVICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 210,160	345,155
Grants and contracts receivable	74,753	204,584
Pledges receivable	13,466	-
Accounts receivable, net of allowance for doubtful accounts and contractual discounts of \$114,000 in 2009 and \$118,000 in 2008	166,691	171,081
Assets limited as to use - construction funds	-	1,001,342
Prepaid expenses	8,700	-
	<u>473,770</u>	<u>1,722,162</u>
Total current assets		
PROPERTY AND EQUIPMENT		
Land	480,000	480,000
Building and improvements	2,183,385	2,138,577
Office furniture and equipment	201,429	176,910
Construction in progress	1,613,725	37,323
	<u>4,478,539</u>	<u>2,832,810</u>
Less accumulated depreciation	<u>(769,833)</u>	<u>(651,766)</u>
Total property and equipment less accumulated depreciation	<u>3,708,706</u>	<u>2,181,044</u>
OTHER ASSETS		
Investments - board designated	436,869	423,634
Security deposit	2,600	2,600
Leasing and deferred financing costs, net of accumulated amortization of \$60,000 in 2009 and \$49,000 in 2008	29,549	40,357
Long-term pledges receivable, net of present value adjustment	68,328	-
	<u>537,346</u>	<u>466,591</u>
Total other assets		
Total assets	<u>\$ 4,719,822</u>	<u>\$ 4,369,797</u>

See Notes to Financial Statements

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 113,263	\$ 116,622
Line of credit	14,645	-
Accounts payable	61,401	57,460
Construction payable	425,696	-
Accrued expenses	393	331
Compensated absences	157,579	125,949
Security deposits payable	13,949	13,949
Deferred revenue, net	158,323	63,117
	<u>945,249</u>	<u>377,428</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion	<u>1,844,026</u>	<u>1,895,378</u>
	<u>2,789,275</u>	<u>2,272,806</u>
NET ASSETS		
Unrestricted		
Designated for future endowment	16,648	16,386
Designated for building reserve	170,727	165,771
Designated for general operations	249,494	241,477
Undesignated	1,378,128	1,558,007
	<u>1,814,997</u>	<u>1,981,641</u>
Temporarily restricted	115,550	115,350
Total net assets	<u>1,930,547</u>	<u>2,096,991</u>
	<u>\$ 4,719,822</u>	<u>\$ 4,369,797</u>
Total liabilities and net assets	<u>\$ 4,719,822</u>	<u>\$ 4,369,797</u>

NORTHWEST YOUTH & FAMILY SERVICES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

Exhibit A-2

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Support				
Government grants	\$ 555,615	\$ -	\$ 555,615	\$ 542,226
Contributions (individuals, businesses, and foundations)	127,255	90,550	217,805	285,583
Special events	59,190	-	59,190	54,221
In-kind contributions	11,915	-	11,915	90,051
Revenue				
Program service fees, net of contractual adjustments	3,328,911	-	3,328,911	2,851,833
Rent	187,022	-	187,022	195,562
Investment income	25,769	-	25,769	25,372
Conference fees	19,984	-	19,984	14,374
Miscellaneous	9,084	-	9,084	32,499
Total support and revenue	<u>4,324,745</u>	<u>90,550</u>	<u>4,415,295</u>	<u>4,091,721</u>
Net assets released from restriction	90,350	(90,350)	-	-
Net support and revenue	<u>4,415,095</u>	<u>200</u>	<u>4,415,295</u>	<u>4,091,721</u>
EXPENSES				
Program services	3,920,041	-	3,920,041	3,592,313
Management and general	162,409	-	162,409	106,579
Fundraising	247,661	-	247,661	161,318
Building operation expenses	251,628	-	251,628	253,766
Total expenses	<u>4,581,739</u>	<u>-</u>	<u>4,581,739</u>	<u>4,113,976</u>
CHANGE IN NET ASSETS	(166,644)	200	(166,444)	(22,255)
NET ASSETS, BEGINNING OF YEAR	<u>1,981,641</u>	<u>115,350</u>	<u>2,096,991</u>	<u>2,119,246</u>
NET ASSETS, END OF YEAR	<u>\$ 1,814,997</u>	<u>\$ 115,550</u>	<u>\$ 1,930,547</u>	<u>\$ 2,096,991</u>

NORTHWEST YOUTH & FAMILY SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

Exhibit A-3

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (166,444)	\$ (22,255)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	128,873	99,432
Changes in assets and liabilities		
Grants and contracts receivable	129,831	(140,698)
Pledges receivable	(81,794)	-
Accounts receivable	4,390	128,315
Prepays	(8,700)	
Accounts payable	3,941	(29,388)
Accrued expenses	31,692	(44,233)
Deferred revenue	95,206	(150,015)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>136,995</u>	<u>(158,842)</u>
INVESTING ACTIVITIES		
Decrease (increase) in assets limited as to use	1,001,342	(1,001,342)
Purchase of investments	(25,769)	(25,372)
Increase in investments - board designated	12,534	4,203
Purchase of property and equipment	(1,220,031)	(119,465)
NET CASH USED FOR INVESTING ACTIVITIES	<u>(231,924)</u>	<u>(1,141,976)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt refinance	-	2,012,000
Advances on line of credit	14,645	-
Mortgage closing costs	-	(21,825)
Payments on long-term debt	(54,711)	(742,505)
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	<u>(40,066)</u>	<u>1,247,670</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(134,995)</u>	<u>(53,148)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>345,155</u>	<u>398,303</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 210,160</u>	<u>\$ 345,155</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 69,674	\$ 46,731
Construction in progress expenditures included in current liabilities	\$ 425,696	-

NORTHWEST YOUTH & FAMILY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009 (WITH COMPARATIVE TOTALS FOR 2008)

	2009			
	Program Services			
	Mental Health	Community Services	NET Services Program	Total
Salaries	\$ 355,667	\$ 469,624	\$ 1,695,315	\$ 2,520,606
Independent contractors	32,288	-	8,878	41,166
Payroll taxes and benefits	110,237	98,565	371,101	579,903
Office supplies	4,360	1,979	15,157	21,496
NETS supplies and activities	-	-	41,052	41,052
Building supplies	917	1,979	12,201	15,097
Professional services	10,122	17,085	33,175	60,382
Equipment rental	889	884	7,514	9,287
Capital purchases	659	546	6,502	7,707
Telephone	2,250	8,073	15,165	25,488
Postage	2,562	840	5,612	9,014
Transportation	2,244	21,758	3,431	27,433
Advertising and promotion	386	2,057	-	2,443
Printing	891	622	5,869	7,382
Insurance	1,531	1,388	9,762	12,681
Utilities	2,763	11,618	51,296	65,677
Maintenance	1,653	7,331	31,242	40,226
Building repairs	-	620	9,930	10,550
Interest	-	-	-	-
Real estate taxes	-	-	-	-
Training	1,504	1,068	3,317	5,889
Memberships and subscriptions	2,083	2,461	34	4,578
Miscellaneous	1,676	741	1,372	3,789
Staff and board development	896	520	3,142	4,558
Family service program	175	29,820	-	29,995
RAP subsidy	-	4,316	-	4,316
Special projects	-	8,860	-	8,860
Mental health conferences	22,167	-	-	22,167
Penny Pinchers	-	35,335	-	35,335
Penny Pinchers rent	-	74,441	-	74,441
NETS Program rent	-	-	157,578	157,578
Special events	-	-	-	-
NETS Program in-kind rent	-	-	-	-
Sales tax	-	6,702	-	6,702
Depreciation and amortization	4,283	8,565	51,395	64,243
TOTAL EXPENSES	\$ 562,203	\$ 817,798	\$ 2,540,040	\$ 3,920,041
% to total excluding building rental expense	13%	19%	59%	91%
% to total including building rental expense	12%	18%	55%	85%

See Notes to Financial Statements

2009				2008	
Supporting Services		Building		Total	
Management and General	Fundraising	Rental Expenses	Total	Total	
\$ 116,980	\$ 154,394	\$ 36,516	\$ 2,828,496	\$ 2,527,501	
-	-	-	41,166	57,916	
15,346	21,178	8,528	624,955	552,725	
1,478	2,419	-	25,393	30,483	
-	-	-	41,052	40,362	
773	774	2,558	19,202	20,115	
6,275	4,264	1,576	72,497	105,281	
589	660	424	10,960	8,951	
253	422	-	8,382	5,911	
1,164	1,031	713	28,396	25,103	
248	2,403	-	11,665	9,525	
1,249	865	223	29,770	20,450	
-	12,215	-	14,658	7,322	
340	212	10	7,944	6,763	
2,948	418	17,436	33,483	32,732	
2,995	2,990	9,195	80,857	76,717	
1,652	1,633	42,776	86,287	89,977	
-	-	2,599	13,149	28,366	
-	-	69,674	69,674	45,699	
-	-	3,134	3,134	2,742	
1,500	493	-	7,882	7,384	
210	2,172	-	6,960	6,639	
3,509	1,044	202	8,544	9,097	
617	310	-	5,485	5,680	
-	-	-	29,995	24,212	
-	-	-	4,316	1,647	
-	-	-	8,860	13,075	
-	-	-	22,167	21,842	
-	-	-	35,335	30,459	
-	-	-	74,441	54,478	
-	-	-	157,578	39,394	
-	33,481	-	33,481	27,207	
-	-	-	-	78,789	
-	-	-	6,702	-	
4,283	4,283	56,064	128,873	99,432	
\$ 162,409	\$ 247,661	\$ 251,628	\$ 4,581,739	\$ 4,113,976	
4%	6%		100%		
4%	5%	5%	100%		

NORTHWEST YOUTH & FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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 individuals and families age four through adult. Basic psychiatric care and medication services are also available for children and adolescents.

Educational and Support Groups - Mental health staff offers educational and support groups on issues such as raising 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 the 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.

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

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

NOTES TO FINANCIAL STATEMENTS

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.

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

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

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no permanently restricted net assets at June 30, 2009.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value and consist of certificates of deposits. The investments at June 30, 2009, totaled \$436,869 and are board designated for future endowment purposes, building reserve and general operations.

Fair Value Measurements

The Organization adopted SFAS No. 157, Fair Value Measurements (SFAS No. 157) on July 1, 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

NOTES TO FINANCIAL STATEMENTS

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

In determining fair value, the Organization reviews the various valuation techniques and then prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transactions. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the marketplace and may require management judgment.

The inputs to measure fair value use a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices in active markets for identical instruments and are the most observable. Level 2 inputs are other than quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The Organization uses Level 1 inputs to determine fair market value for its instruments.

Property and Equipment

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

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

Leasing Costs

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

Deferred Financing Costs

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

Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

Compensated absences payable includes vacation and estimated severance payable.

Support and Revenue Recognition

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

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

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

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third party payors. Management reviews receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

Functional Allocation of Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

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

In July 2006, Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Organization has elected to defer implementation of FIN No. 48, as allowable.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

NOTES TO FINANCIAL STATEMENTS

Contributed Property and Services

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

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

Assets Limited as to Use

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

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consists of the following at June 30, 2009:

Pledges receivable in less than one fiscal year	\$ 13,466
Pledges receivable in one to five years	74,730
Total pledges receivable	<u>88,196</u>
Less discount to net present value	<u>(6,402)</u>
Total pledges receivable, net	<u><u>\$ 81,794</u></u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2009:

Accounts receivable, Mental Health Services	\$ 62,545
Allowance for doubtful accounts and contractual adjustments	<u>(21,891)</u>
	<u>40,654</u>
Accounts receivable, NET Services	218,546
Allowance for doubtful accounts and contractual adjustments	<u>(92,509)</u>
	<u>126,037</u>
Total accounts receivable, net of allowance for doubtful accounts and contractual adjustments	<u>\$ 166,691</u>

NOTE 4 - 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, 2008 through June 30, 2009. Per the contract, NYFS receives a specified dollar amount per student for services rendered. Any revenue generated from other sources such as state, county or private resources are to be used to reduce the costs of services to the school districts. However, if such collections are less than originally estimated by either party, the school districts bear the responsibility of the increase in costs and will reimburse NYFS for any shortage. In the event NYFS is over funded or underfunded, such amounts will be reconciled and paid subsequent to the contract period end of June 30, 2009. Any amount overfunded will offset the new contract amount for the period of July 1, 2009 through June 30, 2010.

NOTE 5 - 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 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

NOTE 6 - LINE OF CREDIT

The Organization has available a \$200,000 line of credit with Anchor Bank, secured by a security agreement and all assets of the Organization, expiring February 2010. The interest rate is a base rate plus 1 percent (5.18 percent at June 30, 2009). As of June 30, 2009, \$14,645 was outstanding.

NOTE 7 - LONG-TERM DEBT

Mortgage note payable to Anchor Bank Heritage, N.A., payable monthly installments of \$14,360, including interest at 5.87% until in June 1, 2018, when the outstanding balance is payable in full.

The note is secured by the building and subordinated to certain lease agreements.

\$ 1,957,289

Less current portion

(113,263)

Net long-term debt, less current portion

\$ 1,844,026

The Organization was noncompliant with debt covenant during 2009, 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, 2010, for the conditions that existed on June 30, 2009.

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 113,263
2011	109,701
2012	105,925
2013	101,921
2014	97,676
Thereafter	<u>1,428,803</u>
	<u>\$ 1,957,289</u>

During the year ended June 30, 2008, the Organization began a building addition and a remodeling project of the existing building. The project was approved by the Board on June 12, 2008, and on September 18, 2008, the Board approved and awarded the building contract for the addition. The cost of the addition and remodeling project is estimated to be \$2,740,000. As of June 30, 2009 the construction was approximately 75 percent complete and was expected to be completed by September of 2009. Total interest expense for the year was \$117,609 and the amount capitalized was approximately \$47,934.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LEASE OBLIGATIONS

As Lessee

The Organization leases retail space (Penny Pinchers) under an operating lease. The Organization signed a three-year lease in September 2007, expiring September 2010. Total rent per year including operating costs will be \$52,842. The Organization's lease for the Summer Business Center expired on June 30, 2009, but was extended on a month to month basis in the amount of \$13,131 per month until the end of August 2009. The Organization also leases equipment under an operating lease. The Organization signed a three-year lease in April 2009, expiring July 2012. Total rent per year will be \$5,388.

Future minimum rentals are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 84,000
2011	5,000
2012	5,000
2013	900
	<u>900</u>
	<u>\$ 94,900</u>

Total rent expense for these leases were \$232,000 for the year ended June 30, 2009.

As Lessor

The Organization leases office space in the building it occupies to tenants under non-cancelable operating leases with terms of five to seven years. The current lease for Lutheran Youth Encounter has been renewed through 2015, the Greer's lease runs through September, 2010 and the lease with American Red Cross has been extended until June 30, 2010.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 179,000
2011	116,000
2012	115,000
2013	117,000
2014	119,000
Thereafter	152,000
	<u>152,000</u>
	<u>\$ 798,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Foundations and individuals - Capital Contributions	\$ 81,794
McKnight Foundation	25,000
Mental Health Hardship Fund	5,000
SAFE Schools Contract	2,710
LCTS Contract	696
Summer Camps	350
	<hr/>
	\$ 115,550
	<hr/> <hr/>

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

McKnight Foundation	\$ 85,000
Cultural diversity	4,600
St. Paul Foundation	750
	<hr/>
	\$ 90,350
	<hr/> <hr/>

NOTE 10 - RETIREMENT PLAN

The Board of Directors approved the termination of the Northwest Youth & Family Services tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code as of December 31, 2008.

A Board of Directors Resolution to adopt the Northwest Youth & Family Services 401(k) Plan and the Northwest Youth & Family Services 401(k) Trust was adopted on August 14, 2008.

Employees are eligible to participate after one year of service with the Organization. The employer will contribute an additional 5.5 percent of the participant's salary if the participant contributes at least 4 percent of their salary. Total contributions made by the Organization were approximately \$110,000 for the year ended June 30, 2009.

NOTE 11 - CONTINGENCIES

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year end, the Organization obtained a \$1,585,000 note payable to further finance the costs of the building addition and remodeling project. The note is secured by the building and is due in monthly installments of \$10,165, including interest at 5.87 percent, commencing October 1, 2009 and due January 1, 2012.

The Organization has evaluated subsequent events through October 9, 2009, the date which the financial statements were issued.

Northwest Youth & Family Services



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

Our report on our audit of the basic financial statements of **Northwest Youth & Family Services** for the year ended June 30, 2009, appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules B-1 through B-5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
October 9, 2009

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NORTHWEST YOUTH & FAMILY SERVICES
SCHEDULE OF SUPPORT AND REVENUE AND EXPENSES –
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
SUPPORT AND REVENUE			
Support			
Grants	\$ 676,589	\$ 555,615	\$ (120,974)
Contributions	251,125	217,805	(33,320)
Special events, net of direct benefit to donors	60,750	59,190	(1,560)
In-kind contributions	26,000	11,915	(14,085)
Revenue			
Mental Health Services program fees	454,100	639,942	185,842
NET Services program fees	2,916,977	2,512,029	(404,948)
Diversion program fees	11,000	72,541	61,541
Youth run business program fees	108,700	104,399	(4,301)
Office space and conference room rental	214,300	187,022	(27,278)
Investment income	30,000	25,769	(4,231)
Mental health conferences	35,000	19,984	(15,016)
Miscellaneous	19,005	9,084	(9,921)
TOTAL SUPPORT AND REVENUE	<u>\$ 4,803,546</u>	<u>\$ 4,415,295</u>	<u>\$ (388,251)</u>

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

EXPENSES	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 2,824,637	\$ 2,828,496	\$ (3,859)
Independent contractors	-	41,166	(41,166)
Payroll taxes and benefits	709,768	624,955	84,813
Office supplies	59,080	25,393	33,687
NETS supplies and activities	107,820	41,052	66,768
Building supplies	33,000	19,202	13,798
Professional services	139,900	72,497	67,403
Equipment rental	9,000	10,960	(1,960)
Capital purchases	3,000	8,382	(5,382)
Telephone	25,900	28,396	(2,496)
Postage	11,000	11,665	(665)
Transportation	22,000	29,770	(7,770)
Advertising and promotion	5,500	14,658	(9,158)
Printing	8,000	7,944	56
Insurance	17,247	33,483	(16,236)
Utilities	92,000	80,857	11,143
Maintenance	87,340	86,287	1,053
Building repairs	41,000	13,149	27,851
Interest	116,119	69,674	46,445
Real estate taxes	3,016	3,134	(118)
Training	20,000	7,882	12,118
Memberships and subscriptions	10,340	6,960	3,380
Miscellaneous	6,500	8,544	(2,044)
Staff and board development	7,900	5,485	2,415
Family support program	-	29,995	(29,995)
RAP subsidy	-	4,316	(4,316)
Special projects	-	8,860	(8,860)
Mental health conferences	23,000	22,167	833
Penny Pinchers	-	35,335	(35,335)
Penny Pinchers rent	72,780	74,441	(1,661)
NETS program rent	157,578	157,578	-
Special events	43,500	33,481	10,019
Sales tax	1,500	6,702	(5,202)
Bad debt	500	-	500
Depreciation and amortization	94,147	128,873	(34,726)
TOTAL EXPENSES	\$ 4,753,072	\$ 4,581,739	\$ 171,333

NORTHWEST YOUTH & FAMILY SERVICES
SCHEDULE OF GRANTS - UNRESTRICTED
YEAR ENDED JUNE 30, 2009

Exhibit B-2

Federal grant	
Metro Council - purchased services	<u>\$ 18,266</u>
State grant	
Youth Intervention	<u>41,597</u>
Municipal grants	
Roseville	24,484
New Brighton	16,767
Shoreview	19,987
Mounds View	9,188
Arden Hills ⁽¹⁾	3,000
Little Canada	7,101
Falcon Heights	7,641
St. Anthony	3,500
North Oaks	5,642
Total municipal grants	<u>97,310</u>
Other grants	
Family Services Collaborative	376,120
Association of Non Smokers	1,072
Mental Health Collaborative	21,250
Total other grants	<u>398,442</u>
 TOTAL GRANTS	 <u><u>\$ 555,615</u></u>

⁽¹⁾ Funded by:
 St. Mary's Romanian Orthodox Church

NORTHWEST YOUTH & FAMILY SERVICES
SCHEDULE OF CONTRIBUTIONS-UNRESTRICTED
YEAR ENDED JUNE 30, 2009

Exhibit B-3

UNRESTRICTED CONTRIBUTIONS - GENERAL OPERATING

Deluxe Corporation Foundation	\$ 10,000
Lawrence & Elizabeth Dunlap Foundation	3,008
Dellwood Foundation, Inc.	3,000
Elmer & Eleanor Andersen Foundation	1,000
Twin City North Chamber of Commerce	1,000
David & Debra Czech	1,000
Others less than \$1,000	<u>9,030</u>
TOTAL CONTRIBUTIONS - UNRESTRICTED	<u><u>\$ 28,038</u></u>

NORTHWEST YOUTH & FAMILY SERVICES
SCHEDULE OF CONTRIBUTIONS – RESTRICTED
YEAR ENDED JUNE 30, 2009

Exhibit B-4

RESTRICTED CONTRIBUTIONS - PROGRAMS

Target Foundation	\$ 10,000
Ameriprise Financial	5,000
Target	1,000
Kiwanis Club of North Suburban	1,000
Others less than \$1,000	<u>3,542</u>

TOTAL CONTRIBUTIONS - RESTRICTED

\$ 20,542

CAPITAL CONTRIBUTIONS

Wells Fargo Foundation	\$ 30,000
Anchor Bank Heritage	5,000
Karen Charlson	5,000
Wendell Maddox	5,000
John G. Ordway, III Trust	5,000
Murray & Ruth Harpole	2,500
Myron Hill	2,000
Paster Enterprises, LLC	2,000
Kay Andrews	1,000
D.A. Armstrong	1,000
Pete & Wendy Benson	1,000
Sandra Chandler Martin	1,000
David & Mary Charlson	1,000
David & Debra Czech	1,000
Robin Davidson	1,000
Ronald & Sandra Decoux	1,000

(continued on next page)

SCHEDULE OF CONTRIBUTIONS – RESTRICTED – page 2

Jon & Jane Hopeman	1,000
B. W. Levander	1,000
Maguire Agency	1,000
William & Susan Sands Foundation	1,000
Audrey Schroeder	1,000
Terence Quigley	1,000
Dean Maschka	1,000
Harvey & Diane Lewis	1,000
Others less than \$1,000	<u>14,931</u>
CAPITAL CONTRIBUTIONS	<u>\$ 87,431</u>
CAPITAL PLEDGES	\$ 88,196
LESS NET PRESENT VALUE	<u>(6,402)</u>
NET CAPITAL PLEDGES	<u>\$ 81,794</u>

NORTHWEST YOUTH & FAMILY SERVICES
SCHEDULE OF SPONSORSHIPS – SPECIAL EVENTS
YEAR ENDED JUNE 30, 2009

Exhibit B-5

LEADERSHIP LUNCHEON

SPONSORSHIPS

Anchor Bank Heritage	\$	1,500
ION Corporation		1,000
Sandra Chandler Martin Charitable Fund		1,000
Lakeshore Homes & Sales, Inc.		1,000
EideBailly LLP		500
Maguire Agency		500
C.B. Richard Ellis		500
Kiwanis Club of North Suburban St. Paul		500

MAJOR DONORS

City of Arden Hills		1,000
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IN-KIND DONORS

John Sweeney, Brave New Workshop		3,000
Pioneer Press		2,100
Cox Insurance		500

TASTE OF NORTHWEST

SPONSORSHIPS

Land O'Lakes, Inc		2,500
Western Bank		1,000
Felhaber, Larson, Fenlon & Vogt		500
Paul F. Kirkegaard, DDS		500
Bank Cherokee		500

IN-KIND DONORS

St. Paul Pioneer Press		4,200
Creative Catering		2,309
City of Shoreview		850
Allegra Print & Imaging		500