

**NORTHEAST YOUTH AND
FAMILY SERVICES**

REPORT ON AUDIT

June 30, 2014



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

Helping Business Conduct Business Since 1918

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of **Northeast Youth and Family Services** (a Minnesota nonprofit organization) as of **June 30, 2014**, 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, 2014** and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Northeast Youth and Family Services'** 2013 financial statements, and we expressed an unmodified audit opinion on these audited financial statements in our report dated October 31, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 1, 2014

Lethert, Skwira, Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

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NORTHEAST YOUTH AND FAMILY SERVICES

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Statement of Financial Position

June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and equivalents	\$ 476,395	\$ 297,888
Cash, restricted	52,407	-
Certificates of deposit	361,271	358,162
Accounts receivable, net of allowance for doubtful accounts, 2014, \$24,999 and 2013, \$16,693 (Note 5)	91,281	66,949
Pledges receivable (Note 6)	-	8,455
Grants receivable	228,148	265,129
Prepayments	<u>47,135</u>	<u>59,956</u>
Total Current Assets	1,256,637	1,056,539
<u>Property and Equipment</u>		
Land	480,000	480,000
Building and improvements	5,255,430	5,247,908
Furniture and equipment	<u>131,298</u>	<u>131,298</u>
Total	5,866,728	5,859,206
Less: Accumulated depreciation	<u>1,546,044</u>	<u>1,366,717</u>
Total Property and Equipment	4,320,684	4,492,489
<u>Other Assets</u>		
Intangible assets, net (Note 7)	<u>53,750</u>	<u>65,122</u>
TOTAL ASSETS	\$ <u>5,631,071</u>	\$ <u>5,614,150</u>

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

NORTHEAST YOUTH AND FAMILY SERVICES

Statement of Financial Position

June 30, 2014 and 2013

<u>LIABILITIES AND NET ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>Current Liabilities</u>		
Current maturities of long-term debt	\$ 122,000	\$ 122,000
Line of credit (Note 10)	125,000	-
Accounts payable	30,960	7,156
Fiscal agency payable	52,407	-
Accrued payroll and payroll taxes	33,926	29,794
Accrued vacation	174,732	192,370
Accrued expenses	15,874	24,850
Other current liabilities	10,220	10,220
Deferred revenue	<u>230,324</u>	<u>187,542</u>
Total Current Liabilities	795,443	573,932
<u>Long-Term Debt (Note 11)</u>		
Long-term debt	3,059,233	3,181,363
Less: Current maturities	<u>122,000</u>	<u>122,000</u>
Total Long-Term Debt	2,937,233	3,059,363
<u>Net Assets</u>		
<u>Unrestricted:</u>		
Unrestricted	642,425	991,516
Designated for future endowment	17,097	17,097
Designated for building reserve	119,094	119,094
Designated for general operations	<u>221,970</u>	<u>221,970</u>
Total Unrestricted	1,000,586	1,349,677
Temporarily restricted (Note 13)	<u>897,809</u>	<u>631,178</u>
Net Assets	<u>1,898,395</u>	<u>1,980,855</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,631,071</u>	<u>\$ 5,614,150</u>

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

NORTHEAST YOUTH AND FAMILY SERVICES

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Statement of Activities and Changes in Net Assets

For the Year Ended **June 30, 2014**
(with comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
<u>Support</u>				
Grants	\$ 752,607	\$ -	\$ 752,607	\$ 592,028
Contributions	-	392,468	392,468	419,911
Special events	71,165	-	71,165	55,181
In-kind contributions	-	-	-	1,125
<u>Revenue</u>				
Program service fees	1,998,854	-	1,998,854	2,250,640
Rental income	197,572	-	197,572	179,223
Investment income (Note 2)	3,223	-	3,223	1,148
Conference fees	13,987	-	13,987	30,854
Miscellaneous	9,932	-	9,932	1,065
Net Assets Released from Restrictions	<u>125,837</u>	<u>(125,837)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>3,173,177</u>	<u>266,631</u>	<u>3,439,808</u>	<u>3,531,175</u>
<u>Expenses</u>				
<u>Program Services</u>				
Mental health	1,010,410	-	1,010,410	800,352
Community services	514,977	-	514,977	804,937
NET services program	<u>1,575,582</u>	<u>-</u>	<u>1,575,582</u>	<u>1,584,762</u>
Total Program Services	<u>3,100,969</u>	<u>-</u>	<u>3,100,969</u>	<u>3,190,051</u>
Management and general	157,271	-	157,271	191,336
Fund raising	169,047	-	169,047	167,480
Building rental expense	<u>94,981</u>	<u>-</u>	<u>94,981</u>	<u>111,855</u>
Total Supporting Services	<u>421,299</u>	<u>-</u>	<u>421,299</u>	<u>470,671</u>
Total Expenses	<u>3,522,268</u>	<u>-</u>	<u>3,522,268</u>	<u>3,660,722</u>
Increase (Decrease) in Net Assets	(349,091)	266,631	(82,460)	(129,547)
Net Assets, Beginning of Year	<u>1,349,677</u>	<u>631,178</u>	<u>1,980,855</u>	<u>2,110,402</u>
Net Assets, End of Year	<u>\$ 1,000,586</u>	<u>\$ 897,809</u>	<u>\$ 1,898,395</u>	<u>\$ 1,980,855</u>

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

NORTHEAST YOUTH AND FAMILY SERVICES

Statement of Functional Expenses

For the Year Ended **June 30, 2014**
(with comparative totals for 2013)

	2014				2013				
	PROGRAM SERVICES			SUPPORTING SERVICES					
	Mental Health	Community Services	NET Services Program	Total	Management and General	Fund Raising	Building Rental Expense	Total	Total
Salaries	\$ 741,124	\$ 318,570	\$ 882,537	\$ 1,942,231	\$ 94,767	\$ 95,298	\$ 36,197	\$ 2,168,493	\$ 2,331,453
Retirement plan contributions	754	(364)	1,371	1,761	12	44	4	1,821	2,739
Employee benefits	73,654	41,190	135,263	250,107	814	9,624	5,510	266,055	231,126
Payroll taxes	58,861	31,767	78,300	168,928	7,349	9,323	3,552	189,152	162,146
Total Salaries and Related Benefits	874,393	391,163	1,097,471	2,363,027	102,942	114,289	45,263	2,625,521	2,727,464
Program supplies and activities	-	18,625	10,991	29,616	-	-	-	29,616	22,064
Professional services	6,534	3,930	19,656	30,120	1,823	1,668	284	33,895	70,238
Office supplies	4,503	1,488	9,788	15,779	970	532	261	17,542	20,222
Other supplies	3,190	5,089	6,030	14,309	711	93	2,808	17,921	34,770
Telephone	3,274	2,869	6,156	12,299	1,314	275	527	14,415	15,358
Postage	3,216	1,730	2,628	7,574	315	567	176	8,632	9,555
Occupancy	39,523	30,752	93,628	163,903	15,890	7,858	33,012	220,663	206,815
Equipment rentals	4,762	2,336	4,478	11,576	790	341	455	13,162	11,972
Capital purchases	1,642	127	3,484	5,253	1,122	282	1,063	7,720	17,828
Printing	294	75	25	394	2	4	-	400	3,386
Travel	5,334	7,479	53,013	65,826	71	-	116	66,013	26,381
Conferences and meetings	15,884	1,643	1,296	18,823	354	263	43	19,483	24,431
Interest	10,265	8,799	114,015	133,079	1,540	1,466	10,775	146,860	153,179
Advertising	2,978	977	766	4,721	280	1,369	-	6,370	1,274
Bad debts	-	-	-	-	-	6,624	-	6,624	-
Board expenses	-	-	-	-	-	-	-	-	90
Consulting services	1,125	-	1,125	2,250	-	945	-	3,195	18,884
Dues and memberships	1,441	3,074	632	5,147	783	2,729	-	8,659	6,505
Insurance	14,951	9,509	22,155	46,615	6,134	3,076	471	56,296	51,429
Licenses and fees	2,072	-	2,370	4,442	-	-	-	4,442	4,525
Internet expense	-	350	-	350	-	-	-	350	1,511
Miscellaneous	149	1,402	2,348	3,899	1,558	1,996	(273)	7,180	18,341
Special events	-	-	-	-	-	16,610	-	16,610	11,261
Total Expenses Before Depreciation and Amortization	995,530	491,417	1,452,055	2,939,002	136,599	160,987	94,981	3,331,569	3,457,483
Depreciation and amortization	14,880	23,560	123,527	161,967	20,672	8,060	-	190,699	203,239
Total Expenses	\$ 1,010,410	\$ 514,977	\$ 1,575,582	\$ 3,100,969	\$ 157,271	\$ 169,047	\$ 94,981	\$ 3,522,268	\$ 3,660,722
% to total excluding building rental expense	29 %	15 %	45 %	90 %	5 %	5 %		100 %	
% to total including building rental expense	29 %	15 %	45 %	88 %	4 %	5 %	3 %	100 %	

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

NORTHEAST YOUTH AND FAMILY SERVICES

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Statement of Cash Flows

For the Years Ended **June 30, 2014** and 2013

<u>Cash Flows From Operating Activities</u>	<u>2014</u>	<u>2013</u>
Decrease in net assets	\$ (82,460)	\$ (129,547)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	190,699	203,239
Increase (decrease) in cash flows from:		
Certificates of deposit	(3,109)	(1,130)
Accounts receivable	(24,332)	28,057
Pledges receivable	8,455	10,115
Grants receivable	36,981	(224,995)
Prepayments	12,821	(18,828)
Accounts payable	23,804	2,009
Accrued payroll and payroll taxes	4,132	(65,307)
Accrued vacation	(17,638)	46,664
Accrued expenses	(8,976)	(3,601)
Deferred revenue	42,782	83,640
Net Cash Provided (Used) by Operating Activities	183,159	(69,684)
<u>Cash Flows Used by Investing Activities</u>		
Purchase of property and equipment	(7,522)	-
<u>Cash Flows From Financing Activities</u>		
Increase on line of credit	125,000	-
Payments of long-term debt	(122,130)	(114,081)
Net Cash Provided (Used) by Financing Activities	2,870	(114,081)
Net Increase (Decrease) in Cash and Equivalents	178,507	(183,765)
Cash and Equivalents, Beginning of Year	297,888	481,653
Cash and Equivalents, End of Year	\$ 476,395	\$ 297,888

Supplemental Disclosures of Cash Flows Information

	<u>2014</u>	<u>2013</u>
Cash Paid During the Year for:		
Interest Paid	\$ 147,230	\$ 153,819

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

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 1 NATURE OF ACTIVITIES

Nature of Activities

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

Out-Patient Mental Health Services:

Counseling Services - NYFS has licensed mental health professionals that offer counseling services for individual and families ages four through adult. Basic psychiatric care and medication services are also available for children and adolescents.

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

Northeast Educational and Therapeutic Services (NETS):

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

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

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

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

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

Community Services:

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

Senior Chore Program - Senior Chore links youth age 14 and older with area seniors in need of basic chore services. This program allows seniors to live independently while fostering intergenerational relationships and providing gainful work experience for youth.

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

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 1 NATURE OF ACTIVITIES (CONTINUED)

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

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

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

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

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

Financial Statement Presentation

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

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

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

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

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

Accounting Estimates

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

Notes to Financial Statements

June 30, 2014 and 2013

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

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

Support and Revenue Recognition

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

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

The Organization uses the allowance method to determine uncollectible contributions and grants. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. There was no allowance for pledges or grants for the years ended **June 30, 2014** and 2013.

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, 2014** and 2013, the Organization had allowance for bad debts of **\$24,999** and \$16,693, respectively.

Investments

Investments are stated at cost and consist of certificates of deposits. The investments at **June 30, 2014** and 2013 totaled **\$0** and \$0, respectively, and are Board designated for future endowment purpose, building reserve, and general operations.

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

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

Notes to Financial Statements

June 30, 2014 and 2013

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

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

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

Intangible Assets

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

Contributed Property and Services

In accordance with Accounting for Contributions Received and Contributions Made, donated services are recognized as contributions if the services (a) create or enhance non-financial assets; or, (b) require specialized skills, as performed by people with those skills, and would otherwise be purchased by the Organization. Property, services, and other noncash donations are recorded as in-kind contributions at their estimated fair market value at the date of the donation.

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

Income Taxes

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

The Organization follows a "more likely than not" criterion for recognizing the tax benefit of uncertain tax positions. The Organization has identified no such exposures. The current tax years open are 2009 through 2013. 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, 2014** and 2013, respectively.

Notes to Financial Statements

June 30, 2014 and 2013

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

Functional Expense Allocation

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

Summarized Financial Information

The financial information shown in the totals column as of June 30, 2013, 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, 2013, from which the summarized information is derived.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled **\$6,370** and \$1,274 for the years ended **June 30, 2014** and 2013, respectively.

Compensated Absences

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

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

NOTE 3 CONCENTRATIONS OF CREDIT RISK

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

NORTHEAST YOUTH AND FAMILY SERVICES

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Notes to Financial Statements

June 30, 2014 and 2013

NOTE 4 COLLABORATIVE AGREEMENT

The Organization was acting as the fiscal agent for Ramsey County Children's Mental Health Collaborative. The Organization received and disbursed funds on their behalf. This contract ended prior to June 30, 2013. As a fiscal agent, the Organization does not record revenue or expense, but only assets and liabilities of the agency. At **June 30, 2014** and 2013, the Organization had fiscal agent cash of **\$0** and \$0; a receivable of **\$0** and \$0; and, a fiscal agent payable of **\$0** and \$0.

During the year ended **June 30, 2014** and 2013, the Organization was paid **\$0** and \$60,387, respectively, from the Collaborative for services related to being the fiscal agent.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at **June 30, 2014** and 2013:

	2014	2013
Accounts receivable, Mental Health Services	\$ 57,660	\$ 72,636
Allowance for doubtful accounts and contractual adjustments	<u>(12,396)</u>	<u>(16,693)</u>
	45,264	55,943
Accounts receivable, NET Services	58,620	11,006
Allowance for doubtful accounts and contractual adjustments	<u>(12,603)</u>	<u>-</u>
	<u>46,017</u>	<u>11,006</u>
Total Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments	\$ <u>91,281</u>	\$ <u>66,949</u>

NOTE 6 PLEDGES RECEIVABLE

Contributions receivable at **June 30, 2014** and 2013, are measured at present value of estimated future cash flows. Collection of receivables is expected as follows:

	2014	2013
Due in less than one year	\$ <u>-</u>	\$ <u>8,455</u>
Total Contributions Receivable	\$ <u>-</u>	\$ <u>8,455</u>

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

NORTHEAST YOUTH AND FAMILY SERVICES

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 7 INTANGIBLE ASSETS

At **June 30, 2014** and 2013, intangible assets consist of the following:

	<u>2014</u>			<u>2013</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	\$ 17,803	\$ 38,416	\$ 56,219	\$ 12,181	\$ 44,038
Leasing costs	<u>28,750</u>	<u>13,416</u>	<u>15,334</u>	<u>28,750</u>	<u>7,666</u>	<u>21,084</u>
	<u>\$ 84,969</u>	<u>\$ 31,219</u>	<u>\$ 53,750</u>	<u>\$ 84,969</u>	<u>\$ 19,847</u>	<u>\$ 65,122</u>

Amortization of intangible assets for the years ended **June 30, 2014** and 2013, was **\$11,372** and \$11,372, respectively. The prior year prepaid mortgage costs were written-off in the current year when new financing was put in place.

The aggregate annual amortization of intangible assets at **June 30, 2014**, is:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 11,372
2016	11,372
2017	5,750
2018	5,750
2019	5,750
After 2019	<u>13,756</u>
	<u>\$ 53,750</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, 2013 through **June 30, 2014**. Per the contract, NYFS receives a specified dollar amount per student for services rendered.

NOTE 9 THIRD PARTY RATE ADJUSTMENTS

Client service revenue, included in program service fees, was derived under federal and state third party reimbursement programs along with other third party insurance companies that pay less than 100 percent of the Organization's fee. The Organization is contractually obligated to write-off the remaining amount. The Organization also provides mental health services on a sliding fee basis for individuals who do not have insurance and can not afford to pay the full cost of therapy.

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

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 10 LINE OF CREDIT

At **June 30, 2014**, the Organization has a revolving credit line available from Anchor Bank for \$200,000, maturing February, 2015. The credit line bears interest at a base rate plus 0.25 percent (**3.50% at June 30, 2014**) and is secured by an agreement on the assets of the Organization.

The outstanding balance at **June 30, 2014** and 2013, is **\$125,000** and \$0, respectively.

NOTE 11 LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
Mortgage payable to Anchor Bank Heritage, N.A. bearing interest at 4.53% with monthly installments of \$11,650, matures May, 2021. Secured by building.	\$ 3,030,262	\$ 3,030,863
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>28,971</u>	<u>150,500</u>
Total	3,059,233	3,181,363
Less: Current maturities	<u>122,000</u>	<u>122,000</u>
Total Long-Term Debt	<u>\$ 2,937,233</u>	<u>\$ 3,059,363</u>

The Organization was noncompliant with a debt covenant during 2014, 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, 2015, for the conditions that existed on **June 30, 2014**.

The aggregate annual maturities of long-term debt at **June 30, 2014**, are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 122,000
2016	128,000
2017	134,000
2018	141,000
2019	147,000
After 2019	<u>2,387,233</u>
	<u>\$ 3,059,233</u>

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 12 LEASE OBLIGATIONS

As Lessee

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

Rent expense for leases was approximately **\$8,844** and \$8,844 for the year ended **June 30, 2014** and 2013, respectively.

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 8,844
2016	4,502
Total Minimum Future Lease Payments	<u>\$ 13,346</u>

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>
2015	\$ 492,000
2016	439,000
2017	369,000
2018	330,000
2019	340,000
After 2019	43,000
Total Minimum Future Lease Payments	<u>\$ 2,013,000</u>

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2014</u>	<u>2013</u>
Foundation and Individuals - Capital Contributions	\$ 897,809	\$ 626,171
Target	-	5,007
Total Temporarily Restricted Net Assets	<u>\$ 897,809</u>	<u>\$ 631,178</u>

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	<u>2014</u>	<u>2013</u>
Municipalities	\$ -	\$ 10,729
Wilder Foundation	-	3,716
YIPA	-	20,845
Target	5,007	-
Foundation and Individuals - Capital Contributions	120,830	114,081
Suburban Ramsey Family	-	<u>4,884</u>
Total Temporarily Restricted Net Assets Released	<u>\$ 125,837</u>	<u>\$ 154,255</u>

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, 2014** and 2013, were approximately **\$0** and \$0, respectively. The matching portion was suspended January 1, 2010.

NOTE 15 RECLASSIFICATIONS

Certain amounts reported for 2013 have been reclassified to conform with **2014** presentation. The reclassifications have no effect on previously reported net assets and increase (decrease) in net assets for the year then ended June 30, 2013.

NOTE 16 COMMITMENTS AND CONTINGENCIES

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

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

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 17 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **December 1, 2014**, the date the financial statements were available to be issued.