

**LAKES AREA
YOUTH SERVICE BUREAU, INC.
FINANCIAL STATEMENTS
December 31, 2009 (reviewed)
and 2008 (audited)**



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ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lakes Area Youth Service Bureau, Inc.
Forest Lake, Minnesota

We have reviewed the accompanying statement of financial position of Lakes Area Youth Service Bureau, Inc. (a non-profit organization) as of December 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Lakes Area Youth Service Bureau, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2009 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2008, were audited by us, and we expressed an unqualified opinion on them in our report dated February 15, 2009, but we have not performed any auditing procedures since that date.

February 22, 2010

Harrington Langer & Associates

LAKES AREA YOUTH SERVICE BUREAU, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 (reviewed)
and 2008 (audited)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 119,587	\$ 128,603
Certificates of deposit	271,847	271,562
Investments	7,110	6,815
Accounts receivable	18,232	25,410
Prepaid expenses	2,282	2,286
Total current assets	419,058	434,676
 PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	154,806	154,806
Furniture and equipment	76,373	85,957
	231,179	240,763
Less: accumulated depreciation	(217,835)	(223,275)
Total property and equipment, net	13,344	17,488
 OTHER ASSETS		
Investments	50,965	22,479
Total assets	\$ 483,367	\$ 474,643

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,500	\$ 1,914
Accrued expenses:		
Wages	5,408	16,181
Vacation	16,479	20,354
Other	1,443	1,329
	<u>24,830</u>	<u>39,778</u>
OTHER LIABILITES		
Deferred compensation	<u>7,110</u>	<u>6,170</u>
	<u>31,940</u>	<u>45,948</u>
NET ASSETS		
Unrestricted:		
Designated	128,914	128,914
Undesignated	246,932	255,786
	<u>375,846</u>	<u>384,700</u>
Temporarily restricted	<u>75,581</u>	<u>43,995</u>
	<u>451,427</u>	<u>428,695</u>
Total liabilities and net assets	<u><u>\$ 483,367</u></u>	<u><u>\$ 474,643</u></u>

LAKES AREA YOUTH SERVICE BUREAU, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009 (reviewed)
(With comparative totals for 2008 (audited))

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
SUPPORT AND REVENUE				
Program Revenue:				
Counties	\$ 87,150	\$ -	\$ 87,150	\$ 100,649
Municipalities	43,930	-	43,930	43,202
State of Minnesota	84,271	-	84,271	106,133
Client fees paid	53,157	-	53,157	48,205
Support:				
Contributions	52,920	31,586	84,506	58,324
Foundation grants	23,250	-	23,250	19,000
United Way	34,961	-	34,961	34,961
In-kind donations	37,814	-	37,814	39,973
Other Income:				
Interest income	12,658	-	12,658	14,791
Special events, net of expenses of \$5,283 and \$11,322, respectively	17,351	-	17,351	30,638
Miscellaneous	12,136	-	12,136	17,320
Net assets released from restrictions	-	-	-	-
Total support and revenue	459,598	31,586	491,184	513,196
EXPENSES				
Program services	398,885	-	398,885	421,331
General and administrative	33,615	-	33,615	33,681
Fundraising and development	35,952	-	35,952	59,255
Total expenses	468,452	-	468,452	514,267
CHANGE IN NET ASSETS	(8,854)	31,586	22,732	(1,071)
NET ASSETS, BEGINNING OF YEAR	384,700	43,995	428,695	429,766
NET ASSETS, END OF YEAR	\$ 375,846	\$ 75,581	\$ 451,427	\$ 428,695

See notes to financial statements
and accountant's review report

LAKES AREA YOUTH SERVICE BUREAU, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008 (audited)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Program Revenue:			
Counties	\$ 100,649	\$ -	\$ 100,649
Municipalities	43,202	-	43,202
State of Minnesota	106,133	-	106,133
Client fees paid	48,205	-	48,205
Support:			
Contributions	47,419	10,905	58,324
Foundation grants	19,000	-	19,000
United Way	34,961	-	34,961
In-kind donations	39,973	-	39,973
Other Income:			
Interest income	14,791	-	14,791
Special events, net of expenses of \$11,322	30,638	-	30,638
Miscellaneous	17,320	-	17,320
Net assets released from restrictions	125	(125)	-
	<u>502,416</u>	<u>10,780</u>	<u>513,196</u>
EXPENSES			
Program services	421,331	-	421,331
General and administrative	33,681	-	33,681
Fundraising and development	59,255	-	59,255
	<u>514,267</u>	<u>-</u>	<u>514,267</u>
CHANGE IN NET ASSETS	(11,851)	10,780	(1,071)
NET ASSETS, BEGINNING OF YEAR	<u>396,551</u>	<u>33,215</u>	<u>429,766</u>
NET ASSETS, END OF YEAR	<u><u>\$ 384,700</u></u>	<u><u>\$ 43,995</u></u>	<u><u>\$ 428,695</u></u>

LAKES AREA YOUTH SERVICE BUREAU, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 (reviewed)
and 2008 (audited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 22,732	\$ (1,071)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,394	6,836
Interest reinvested	(1,565)	(2,608)
Unrealized investment (gain) loss	(6,072)	378
Change in:		
Accounts receivable	7,178	(15,990)
Prepaid expenses	4	1,576
Accounts payable	(414)	(2,660)
Deferred compensation	940	2,604
Accrued expenses	(14,534)	79
	<u>13,663</u>	<u>(10,856)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(21,429)	(7,850)
Purchase of property and equipment	(1,250)	(2,621)
	<u>(22,679)</u>	<u>(10,471)</u>
NET CASH USED IN INVESTING ACTIVITIES		
DECREASE IN CASH AND CASH EQUIVALENTS	(9,016)	(21,327)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>128,603</u>	<u>149,930</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 119,587</u>	<u>\$ 128,603</u>

See notes to financial statements
and accountant's review report

LAKES AREA YOUTH SERVICE BUREAU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009 (reviewed)
(With comparative totals for 2008 (audited))

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total 2009</u>	<u>Total 2008</u>
Salaries	\$ 241,085	\$ 20,317	\$ 15,831	\$ 277,232	\$ 304,093
Payroll taxes	22,547	1,900	1,481	25,928	26,215
Employee benefits	24,916	2,100	1,636	28,652	29,469
 Total personnel costs	 288,548	 24,316	 18,947	 331,812	 359,777
 Contracted services	 20,796	 1,753	 11,126	 33,674	 37,279
Insurance	4,930	415	324	5,669	5,881
Supplies	5,721	482	376	6,579	14,837
Travel	3,008	253	198	3,459	3,883
Training	3,482	293	229	4,004	4,238
Meetings	1,928	162	127	2,217	2,819
Dues and memberships	1,798	152	118	2,068	1,707
Printing	11,743	990	771	13,504	15,613
Postage	3,302	278	217	3,797	4,601
Equipment maintenance	7,287	614	479	8,380	9,681
Building rents	2,891	244	190	3,324	3,228
In-kind rents	29,132	2,455	1,913	33,500	33,500
Depreciation	4,691	395	308	5,394	6,836
Repairs and maintenance	542	46	36	623	435
Utilities	7,545	636	495	8,676	7,849
Miscellaneous	1,541	130	101	1,772	2,103
 Total expenses	 <u>\$ 398,885</u>	 <u>\$ 33,615</u>	 <u>\$ 35,952</u>	 <u>\$ 468,452</u>	 <u>\$ 514,267</u>

LAKES AREA YOUTH SERVICE BUREAU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008 (audited)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 254,180	\$ 20,319	\$ 29,594	\$ 304,093
Payroll taxes	21,912	1,752	2,551	26,215
Employee benefits	24,632	1,969	2,868	29,469
 Total personnel costs	 300,724	 24,040	 35,013	 359,777
 Contracted services	 22,634	 1,809	 12,835	 37,279
Insurance	4,916	393	572	5,881
Supplies	12,402	991	1,444	14,837
Travel	3,246	259	378	3,883
Training	3,542	283	412	4,238
Meetings	2,356	188	274	2,819
Dues and memberships	1,427	114	166	1,707
Printing	13,050	1,043	1,519	15,613
Postage	3,846	307	448	4,601
Equipment maintenance	8,092	647	942	9,681
Building rents	2,698	216	314	3,228
In-kind rents	28,001	2,238	3,260	33,500
Depreciation	5,714	457	665	6,836
Repairs and maintenance	364	29	42	435
Utilities	6,561	524	764	7,849
Miscellaneous	1,758	141	205	2,103
 Total expenses	 <u>\$ 421,331</u>	 <u>\$ 33,681</u>	 <u>\$ 59,255</u>	 <u>\$ 514,267</u>

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Lakes Area Youth Service bureau, Inc. (the Organization and LAYSB) is a non-profit organization whose mission is to “Ensure the Success of Youth”. Its goal is to strengthen relationships, increase a youth’s sense of belonging and worth, and help them to develop a sense of mastery by focusing on multiple supportive relationships with adults and peers, creating meaningful opportunities for involvement and membership, and providing challenging and engaging activities and learning experiences in a safe, nurturing environment.

LAYSB provides a holistic array of supports that have been proven, through evidence-based research, to contribute to improved long-term outcomes (Youth Development Strategies Inc.) in adulthood including economic self-sufficiency, healthy family and social relationships, and community involvement. Successful program participants will have the resiliency to "bounce back from life's challenges" with a "growing sense of healthy identity." Building resilient youth and families involves building skills and creating positive connections with the larger community. At LAYSB, youth will develop stronger community connections, understand the impact of their actions and behavior, and build a stronger sense of self by learning new skills and enjoy positive, supervised experiences.

LAYSB Teen Enrichment and Leadership Programs include afterschool, summer and volunteer opportunities. Two Youth Advisory Boards help staff identify service gaps and opportunities as well as plan and implement projects. Teens participate in guided but teen lead service opportunities which include working with younger children as program counselors at Safety Camp community collaboration leading activities for children at local libraries and Children’s First clubs, and advocating for tobacco free parks and other important community concerns. Younger teens participate in the Job Connections program assisting senior citizens and handicapped adults with household chores. After-school enrichment activities occur year-round, with an emphasis on building healthy relationships, relevant learning and meaningful involvement. Activities include Coffee Talk, Art Talk and Life Talk (teenage girls discuss topics and/or create art with adult women volunteers), lock-in nights for junior high school youth and other activities such as pool tournaments and fishing outings. LAYSB helps youth develop positive relationships “Making Connections,” a formal mentoring program, “Hidden Heroes,” an e-mentoring program, and “organic” mentoring where youth and positive adult role models develop a special bond through LAYSB enrichment activities.

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LAYSB Youth Community Justice Program engages the community in dealing with youth misconduct that would otherwise result in a visit to court. The process involves the youth, parents, victims and/or community representatives. Youth agree to accept responsibility for their actions and a plan is developed. The plan may include educational classes, restitution, community service, peer groups, parenting classes, counseling and participation in LAYSB enrichment programming. Formal curriculum and classes are offered to at-risk youth on topics including chemical use, tobacco use, anger issues, and decision making.

LAYSB Youth Mediation Services are based on the Restorative Justice Circle model. These circle meetings bring together victims of offenses with their offenders along with other involved parties, teachers, administration, and parents. All participants are allowed to speak and resolutions are sought for each case.

LAYSB Strengthening Families Programs include mental health therapy and parenting services. Through counseling, professional counselors work with youth and their families to address immediate issues and to develop communication and coping skills that will contribute to future stability, healthier and more supportive relationships, and the ability to make positive changes on their own. Parenting Programs include accessible timely and relevant support for parents of children, ages 10-17. Parents can access support through one-time workshops, ongoing classes, support groups, and telephone and walk-in consultations.

Support and Expenses

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted revenue whose restrictions are met in the same reporting period, are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and Materials

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values.

Cash and Cash Equivalents

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

Grants and Accounts Receivable

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At December 31, 2009 and 2008, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Investments

Investments are presented in the financial statements at fair market value.

Property and Equipment

All expenditures of \$500 or more for equipment and leasehold improvements and fair market value of donated assets are capitalized. It is the Organization's policy to provide depreciation based on the estimated useful lives of the equipment and leasehold improvements using the straight-line method. The useful lives are as follows:

	<u>Years</u>
Furniture and equipment	3-7
Leasehold improvements	10

Functional Allocation of Expenses

Expenses are allocated to program and support services directly when possible and indirectly using predetermined percentages derived from payroll statistics.

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 and disclosures in these financial statements. Actual results could differ from those estimates.

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Exempt Status

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an Organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Association will record such disallowance at the time the final assessment is made.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 22, 2010, the date the financials statements were available to be issued.

NOTE 2. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization provides services within a three county region of the northern Twin Cities. Receivables are from local residents, governments, and institutions and are considered fully collectible. All receivables are unsecured.

The Organization maintains its cash balances with various local financial institutions. At December 31, 2009 and 2008, the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2009 and 2008, the Organization had no uninsured cash balances.

NOTE 3. MAJOR SOURCES OF SUPPORT AND REVENUE

During the years ended December 31, 2009 and 2008, the major sources of support and revenue (as a percentage of total support and revenue) were as follows:

	<u>2009</u>	<u>2008</u>
Washington County	18%	18%
State of Minnesota	19%	21%

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consisted of the following at December 31, 2009 and 2008:

	2009	2008
Capital / equipment needs	\$ 40,366	\$ 40,366
Building repairs / replacement, other	80,548	80,548
New program development	8,000	8,000
 Total	 \$ 128,914	 \$ 128,914

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009 and 2008, temporarily restricted net assets consisted of the following:

	2009	2008
New program development and expansion	\$ 50,965	\$ 22,479
Time restricted, general operating	24,516	21,516
	\$ 75,481	\$ 43,995

NOTE 6. CERTIFICATES OF DEPOSIT

At December 31, 2009 and 2008, the Organization had certificates of deposit totaling \$271,847 and \$271,562, respectively. These certificates of deposit mature through September, 2010, and earn interest ranging from 4.61% to 5.24%.

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS

According to Generally Accepted Accounting Principles (GAAP), permits a framework for measuring fair value. That framework 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 prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan 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.

Investments at December 31, 2009 and 2008 are recorded at market value consisted of the following:

	<u>2009</u>	<u>2008</u>
Mutual funds	\$ 7,110	\$ 6,171
Stocks	-	644
St. Croix Foundation	<u>50,965</u>	<u>22,479</u>
Total	<u><u>\$ 58,075</u></u>	<u><u>\$ 29,294</u></u>

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. DONATED SERVICES AND MATERIALS

At December 31, 2009 and 2008, in-kind contributions consisted of the following:

	2009	2008
Rent	\$ 33,500	\$ 33,500
Computer consultants	4,314	6,473
Total	\$ 37,814	\$ 39,973

The Organization's facilities leased through the City of Forest Lake (see Note 9) are at below market rates. Management has recorded in-kind contributions and an offsetting rent expense of \$33,500, for both years ended December 31, 2009 and 2008, to reflect the impact to its operations of leased space at prevailing market rates, estimated at \$8.00 per square foot.

NOTE 9. LEASE COMMITMENTS

The Organization leases its main office facilities in Forest Lake from the City of Forest Lake. The lease called for monthly payments of base rents ranging from \$269 per month over the life of the lease. As of January 1, 2008, the above lease with the City of Forest Lake was on a month-to-month basis going forward. The Organization also leased additional office space in North Branch on a month-to-month basis at \$520 per month. This lease was terminated during 2008.

Rents paid under the above leases totaled \$3,324 and \$3,228 for the years ended December 31, 2009 and 2008, respectively.

The Organization began leasing certain office equipment under a non-cancelable operating lease expiring through April 2011. Future minimum lease payments on the above operating lease at December 31, 2009 are as follows:

Year ending December 31,	Amount
2010	\$ 4,776
2011	1,592
	\$ 6,368

LAKES AREA YOUTH SERVICE BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASE COMMITMENTS

Total rent expense on the above office equipment lease reflected in the Organization's activities amounted to approximately \$5,900 and \$5,400 for the years ended December 31, 2009 and 2008, respectively.

NOTE 10. RETIREMENT PLAN

The Organization's employees who meet certain age and service requirements are eligible to participate in the Organization's 401(k) retirement plan. The Organization contributes up to 2.5% of a qualified employee's salary to the plan. For the years ended December 31, 2009 and 2008, the Organization contributed \$6,162 and \$6,886, respectively, to the plan.

NOTE 11. DEFERRED COMPENSATION

The Organization has established a deferred compensation arrangement pursuant to Section 457(b) of the Internal Revenue Code for a key executive employee. Deferred compensation expense for the years ended December 31, 2009 and 2008 was \$0 and \$1,600, respectively.