

YouthCARE

Financial Statements as of and for the
Years Ended May 31, 2011 and 2010, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
YouthCARE
Minneapolis, Minnesota

We have audited the accompanying statements of financial position of YouthCARE (the "Organization") as of May 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended May 31, 2011. These financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information in the statement of functional expenses has been derived from the Organization's May 31, 2010 financial statements and in our report dated December 22, 2010, we expressed an unqualified opinion on those financial statements.

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 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 express no such 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 audits provide a reasonable basis for our opinion.

As discussed in Note 4 to the financial statements, the Organization has not reflected the fair value of the donated camp land within the statements of financial activities.

In our opinion, such financial statements present fairly, in all material respects, the financial position of YouthCARE as of May 31, 2011 and 2010, and the changes in its net assets and the cash flows for the years then ended, and the statement of functional expenses for the year ended May 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

November 7, 2011

YOUTHCARE

STATEMENTS OF FINANCIAL POSITION AS OF MAY 31, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 326,085	\$ 259,333
Grants and other receivables	26,388	70,495
Prepaid expenses and other current assets	<u>6,948</u>	<u>4,267</u>
Total current assets	359,421	334,095
PROPERTY AND EQUIPMENT — Net (Note 3)	<u>56,425</u>	<u>65,378</u>
TOTAL	<u>\$ 415,846</u>	<u>\$ 399,473</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,740	\$ 2,675
Accrued expenses	45,782	42,982
Other current liabilities	<u>14,089</u>	<u>14,089</u>
Total current liabilities	<u>61,611</u>	<u>59,746</u>
DEFERRED LEASE INCENTIVE — Long-term (Note 5)	<u>11,744</u>	<u>25,832</u>
NET ASSETS:		
Unrestricted (Note 8)	314,827	313,895
Temporarily restricted (Note 9)	27,664	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>342,491</u>	<u>313,895</u>
TOTAL	<u>\$ 415,846</u>	<u>\$ 399,473</u>

See notes to financial statements.

YOUTHCARE

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED MAY 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions:						
Business, corporate, and foundation support	\$ 371,236	\$ 27,664	\$ 398,900	\$ 375,585	\$ -	\$ 375,585
Governmental grants	151,936	-	151,936	308,680	-	308,680
Individual	98,707	-	98,707	81,954	-	81,954
Donated goods and services	96,521	-	96,521	76,803	-	76,803
Miscellaneous revenues	56,535	-	56,535	41,130	-	41,130
Interest income	163	-	163	178	-	178
Net assets released from restrictions	-	-	-	97,500	(97,500)	-
Total support and revenue	<u>775,098</u>	<u>27,664</u>	<u>802,762</u>	<u>981,830</u>	<u>(97,500)</u>	<u>884,330</u>
EXPENSES:						
Program services	678,179	-	678,179	759,696	-	759,696
Supporting services	95,986	-	95,986	103,241	-	103,241
Total expenses	<u>774,166</u>	<u>-</u>	<u>774,166</u>	<u>862,937</u>	<u>-</u>	<u>862,937</u>
CHANGE IN NET ASSETS	932	27,664	28,596	118,893	(97,500)	21,393
NET ASSETS — Beginning of year	<u>313,895</u>	<u>-</u>	<u>313,895</u>	<u>195,002</u>	<u>97,500</u>	<u>292,502</u>
NET ASSETS — End of year	<u>\$ 314,827</u>	<u>\$ 27,664</u>	<u>\$ 342,491</u>	<u>\$ 313,895</u>	<u>\$ -</u>	<u>\$ 313,895</u>

See notes to financial statements.

YOUTH CARE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2011, AND SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2010

	2011								2010 Summarized Comparative Totals
	Program Services				Support Services				
	Camp Sunrise	Youth Women's Mentoring Program	YouthLEAD Program	Total Program Services	Management and General	Fund- Raising	Total Support Services	Total	
COMPENSATION EXPENSE:									
Salaries and wages	\$121,590	\$113,572	\$ 93,305	\$328,467	\$48,466	\$ -	\$48,466	\$376,933	\$ -
Payroll taxes	11,685	10,955	9,129	31,770	4,747	-	4,747	36,517	45,483
Employee benefits	8,496	7,965	6,637	23,098	3,451	-	3,451	26,550	27,463
Total compensation expense	<u>141,772</u>	<u>132,492</u>	<u>109,071</u>	<u>383,335</u>	<u>56,665</u>	<u>-</u>	<u>56,665</u>	<u>440,000</u>	<u>480,886</u>
OTHER EXPENSES:									
Food	30,834	-	-	30,834	-	-	-	30,834	19,516
Program activities	11,182	13,767	7,768	32,718	3,314	-	3,314	36,032	37,907
Youth wages and stipends	21,860	24,546	27,170	73,577	2,154	-	2,154	75,730	128,510
Transportation	5,721	5,364	4,470	15,555	2,324	-	2,324	17,879	15,162
Insurance	4,085	3,829	3,191	11,105	1,659	-	1,659	12,764	15,253
Office rent	12,788	11,989	9,991	34,769	5,195	-	5,195	39,964	38,029
Telephone	1,967	1,844	1,537	5,347	799	-	799	6,146	5,321
Utilities	5,383	-	-	5,383	-	-	-	5,383	4,935
Professional services	9,692	9,086	7,572	26,350	3,937	-	3,937	30,287	31,852
Program supplies	5,331	983	-	6,313	-	-	-	6,313	9,606
Printing and office supplies	1,709	1,602	1,335	4,647	694	-	694	5,341	7,780
Training and education	601	564	470	1,635	244	-	244	1,879	2,323
Public relations and promotions	-	-	-	-	2,713	10,094	12,807	12,807	10,790
Postage	1,556	1,459	1,216	4,231	632	-	632	4,863	5,799
Repairs and maintenance	5,164	-	-	5,164	-	-	-	5,164	5,273
Miscellaneous	661	620	517	1,798	269	-	269	2,067	2,615
Total other expenses	<u>118,535</u>	<u>75,653</u>	<u>65,236</u>	<u>259,425</u>	<u>23,935</u>	<u>10,094</u>	<u>34,029</u>	<u>293,454</u>	<u>340,671</u>
TOTAL EXPENSES BEFORE DEPRECIATION	260,307	208,145	174,308	642,760	80,600	10,094	90,694	733,454	821,557
DEPRECIATION	<u>13,028</u>	<u>12,214</u>	<u>10,178</u>	<u>35,419</u>	<u>5,293</u>	<u>-</u>	<u>5,293</u>	<u>40,712</u>	<u>41,380</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$273,335</u>	<u>\$220,359</u>	<u>\$184,486</u>	<u>\$678,179</u>	<u>\$85,892</u>	<u>\$10,094</u>	<u>\$95,986</u>	<u>\$774,166</u>	<u>\$862,937</u>

See notes to financial statements.

YOUTHCARE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MAY 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 28,596</u>	<u>\$ 21,393</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,712	41,380
Other liabilities	(14,088)	(14,088)
Grant received for capital expenditures	(50,000)	-
Changes in assets and liabilities:	-	-
Grants and other receivables	44,107	36,507
Prepaid expenses and other current assets	(2,683)	(2,455)
Other assets	-	-
Accounts payable	(935)	2,675
Accrued expenses	2,800	1,059
Deferred revenue	<u>-</u>	<u>-</u>
Total adjustments	<u>19,914</u>	<u>65,078</u>
Net cash provided by operating activities	<u>48,510</u>	<u>86,471</u>
CASH FLOWS FROM INVESTING ACTIVITIES — Purchases of fixed assets	<u>(31,758)</u>	<u>(32,936)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from grant for capital expenditures	50,000	-
Proceeds on line of credit	-	20,500
Payments on line of credit	<u>-</u>	<u>(20,500)</u>
Net cash provided by financing activities	<u>50,000</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,752	53,535
CASH AND CASH EQUIVALENTS — Beginning of year	<u>259,333</u>	<u>205,798</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 326,085</u>	<u>\$ 259,333</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES:		
Contributions of property and equipment	<u>\$ -</u>	<u>\$ -</u>
Leasehold improvements received as a lease incentive	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

YOUTHCARE

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2011 AND 2010

1. ORGANIZATION

YouthCARE (the “Organization”) is a nonprofit, tax-exempt organization whose purpose is to provide year-round youth programs that promote respect for self and others, develop future leaders, and provide youth with positive, multicultural activities and relationships with caring adults. Through the cooperative efforts of community and neighborhood organizations, youth employment programs, local businesses, foundations, and community volunteers, the Organization provides employment, leadership development, multicultural interaction, and outdoor education for Twin Cities youth, ages 7 through 18. The Organization’s services have been classified into the following programs:

Camp Sunrise (the “Camp”) — Offers a week-long work and camp program that provides leadership training and a multicultural experience for urban youth, ages 13 through 18.

Young Women’s Mentoring Program — Provides support, employment, and leadership opportunities to girls, ages 7 through 18, through weekly group activities and individual meetings with mentors.

YouthLEAD Program — Provides outreach, counseling, and leadership development and social activities for urban youth, ages 13 through 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements of the Organization are prepared on the accrual basis of accounting.

Cash and Cash Equivalents — The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Grants and Other Receivables — Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Management believes the grants receivable are fully collectible. Contributions due in more than one year are discounted using a risk-free rate of return appropriate for the expected term of the promise to give. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Impairment of Long-Lived Assets — Management periodically reviews the carrying value of long-lived assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related, expected future net cash flows be less than the carrying value, an impairment loss would be recognized. There were no impairments taken in 2011 or 2010.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Property and Equipment — Camp structures and improvements, equipment, vehicles, and tools are stated at cost or estimated fair value at the time of donation or purchase and are depreciated on a straight-line basis over their estimated useful life of the asset. Leasehold improvements are amortized over the shorter of the term of the related lease or the estimated useful life of the asset. Maintenance and repairs are charged to expense as incurred. Estimated useful lives are as follows:

Camp structure and improvements	5–20 years
Equipment, vehicles, and tools	3–4 years

Contributions — Business, corporate, foundation, and individual unconditional promises to give cash and other assets are recorded at fair value at the date the promise is received. The contributions are reported as either temporarily or permanently restricted revenue 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 as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets whose donor restriction expires in the same year as funds are received are classified as unrestricted net assets in the statements of activities. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of unrestricted net assets. If a grant is uncollectible, the organization does not set up a reserve in relation to the grant.

Grant Revenue Recognition — Business, corporate, foundation, and government grants are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred or when the time restriction expires.

Donated Goods and Services — Donated goods and services include the service of staff employed through the summer youth employment programs and other specifically identifiable goods and services.

Miscellaneous Revenues — Miscellaneous revenues include special event revenue and participant service fees. The Organization recognizes revenue when the event occurs or when the service is performed.

Net Assets — The Organization reports net assets based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time-period or purpose. The Organization has temporarily restricted net assets of \$27,664 and \$0, and no permanently restricted net assets as of May 31, 2011 and 2010, respectively.

Income Tax Status — The Internal Revenue Service has determined that the Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Summarized Financial Information for the Year Ended May 31, 2011 — The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional expense classification. 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 May 31, 2010, from which the summarized information was derived.

Subsequent Events — For the year ended May 31, 2011, subsequent events were evaluated through November 7, 2011, the date the financial statements were available to be issued. There were no subsequent events identified to disclose.

3. PROPERTY AND EQUIPMENT

Property and equipment as of May 31, 2011 and 2010, consisted of the following:

	2011	2010
Camp structures and improvements	\$ 277,208	\$ 260,955
Equipment, vehicles, and tools	180,920	177,065
Leasehold improvements	94,051	94,051
Accumulated depreciation	<u>(495,755)</u>	<u>(466,693)</u>
Total property and equipment — net	<u>\$ 56,425</u>	<u>\$ 65,378</u>

4. CAMP LEASE

The Camp land currently used by the Organization is leased under a 15-year lease from Xcel Energy Inc. at no cost through February 29, 2024. The Organization has not reflected the donated fair value of the lease within the statements of activities, as the value is not readily determinable. If the donated fair value was recorded, it would increase donated goods and service revenue and program service expense on the statements of activities, but it would not affect the change in net assets, ending net assets, or the statements of cash flows. The Organization is required to maintain specified insurance coverage under the terms of the lease.

5. OFFICE LEASE

The Organization leases office space at 2701 University Ave. South East, Suite 205 under an operating lease that expires on May 31, 2013. The future minimum lease payments under this operating lease as of May 31, 2011, are as follows:

Years Ending May 31	
2012	\$ 30,000
2013	<u>31,402</u>
Total future minimum lease payments	<u>\$ 61,402</u>

Rental expense totaled \$39,964 for 2011 and \$38,029 for 2010.

As part of the office space lease agreement entered into as of January 24, 2008, the Organization received certain leasehold improvements totaling \$70,452. The cost of the improvements are included in future rent payments and are accounted for as a deferred lease incentive. As of May 31, 2011, the remaining long-term portion of the lease incentive is \$11,744 and the remaining short-term portion, recorded within other liabilities, is \$14,089.

6. DEFERRED COMPENSATION PLAN

The Organization offers full-time employees a deferred compensation plan created in accordance with IRC Section 403(b). The plan permits employees of the Organization to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. Employee contributions to the plan are made through employee payroll deductions, which are remitted by the Organization to the plan's custodian, Mutual of America. There were no employer contributions to the plan during the years ended May 31, 2011 and 2010.

7. LINE OF CREDIT

On August 21, 2009, the Organization entered into a line of credit agreement with Bremer Bank for borrowings outstanding of up to \$35,000 at an interest rate of 6.25%. This line of credit expired on June 15, 2010.

The Organization entered into a new line of credit agreement with Bremer Bank on August 24, 2010; this line of credit expires on August 23, 2011. They have yet to use this line of credit.

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of gifts and support that were received with no donor restrictions.

Net assets were released from donor restrictions during the years ended May 31, 2011 and 2010, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	2011	2010
Purpose restrictions accomplished — summer youth employment program	\$ -	\$ 2,500
Time restrictions expired — passage of a specified time	<u>-</u>	<u>95,000</u>
Total net assets released from restrictions	<u>\$ -</u>	<u>\$ 97,500</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions received that are restricted by donor-imposed stipulations requiring the contributions to be expended for a specific purpose or in future periods.

Temporarily restricted net assets at May 31, 2011 and 2010, are available for the following purposes or periods:

	2011	2010
Camp Sunrise capital expenditures	<u>\$ 27,664</u>	<u>\$ -</u>
Total temporarily restricted net assets	<u>\$ 27,664</u>	<u>\$ -</u>

10. DONATED GOODS AND SERVICES

The organization received various donated goods and services in fiscal year 2011. The Organization received \$20,000 in donated audit services from Deloitte & Touche LLP and \$76,500 from the City of Minneapolis in relation to the Organization’s 2010 summer youth employment program. Both of these items were recognized as contribution revenue in fiscal year 2011. As noted in Note 4, the organization receives land through a lease with Xcel Energy Inc. at no cost. Refer to Note 4 for further information.

* * * * *