

YouthCARE

Financial Statements as of and for the
Years Ended May 31, 2010 and 2009,
and Independent Auditors' Report



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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, 2010 and 2009, 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, 2010. 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, 2009 financial statements and in our report dated January 6, 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.

In our opinion, such financial statements present fairly, in all material respects, the financial position of YouthCARE as of May 31, 2010 and 2009, 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, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the financial statements, the Organization has not reflected the fair value of the donated camp land within the statements of activities.

Deloitte & Touche LLP

December 22, 2010

YouthCARE

STATEMENTS OF FINANCIAL POSITION AS OF MAY 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 259,333	\$ 205,798
Investments	-	-
Grants and other receivables (Note 3)	70,495	107,002
Prepaid expenses and other current assets	4,267	1,812
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Total current assets	334,095	314,612
PROPERTY AND EQUIPMENT — Net (Note 4)	65,378	73,822
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TOTAL	\$ 399,473	\$ 388,434
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LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,675	\$ -
Accrued expenses	42,982	41,923
Other current liabilities	14,089	14,087
Deferred revenue	-	-
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Total current liabilities	59,746	56,010
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DEFERRED LEASE INCENTIVE — Long-term (Note 6)	25,832	39,922
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NET ASSETS:		
Unrestricted (Note 9)	313,895	195,002
Temporarily Restricted (Note 10)	-	97,500
Permanently Restricted	-	-
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Total net assets	313,895	292,502
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TOTAL	\$ 399,473	\$ 388,434
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See notes to financial statements.

YouthCARE

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED MAY 31, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:						
Contributions:						
Business, corporate, and foundation support	\$ 375,585	\$ -	\$ 375,585	\$ 207,650	\$ 27,500	\$ 235,150
Governmental grants	308,680	-	308,680	206,309	-	206,309
Individual	81,954	-	81,954	91,537	-	91,537
Donated goods and services	76,803	-	76,803	56,476	-	56,476
Miscellaneous revenues	41,130	-	41,130	86,460	-	86,460
Interest income	178	-	178	505	-	505
Net assets released from restrictions	97,500	(97,500)	-	152,000	(152,000)	-
Total public support and revenue	981,830	(97,500)	884,330	800,937	(124,500)	676,437
EXPENSES:						
Program services	759,696	-	759,696	757,737	-	757,737
Supporting services	103,241	-	103,241	102,633	-	102,633
Total expenses	862,937	-	862,937	860,370	-	860,370
CHANGE IN NET ASSETS	118,893	(97,500)	21,393	(59,433)	(124,500)	(183,933)
NET ASSETS — Beginning of year	195,002	97,500	292,502	254,435	222,000	476,435
NET ASSETS — End of year	\$ 313,895	\$ -	\$ 313,895	\$ 195,002	\$ 97,500	\$ 292,502

See notes to financial statements.

YouthCARE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2010, AND SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2009

	2010								2009 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	\$ 102,513	\$ 111,485	\$ 141,147	\$ 355,145	\$ 52,795	\$ -	\$ 52,795	\$ 407,940	\$ 407,821
Payroll taxes	11,371	12,280	15,919	39,570	5,913	-	5,913	45,483	44,747
Employee benefits	6,866	7,415	9,612	23,893	3,570	-	3,570	27,463	41,240
Total compensation expense	120,750	131,180	166,678	418,608	62,278	-	62,278	480,886	493,808
OTHER EXPENSES:									
Food	19,516	-	-	19,516	-	-	-	19,516	22,653
Program activities	9,894	9,498	15,598	34,990	2,917	-	2,917	37,907	56,145
Youth Wages and Stipends	24,076	26,912	71,783	122,771	5,739	-	5,739	128,510	69,618
Transportation	3,790	4,094	5,307	13,191	1,971	-	1,971	15,162	25,735
Insurance	3,813	4,118	5,339	13,270	1,983	-	1,983	15,253	21,928
Office Rent	9,507	10,268	13,310	33,085	4,944	-	4,944	38,029	36,795
Telephone	1,330	1,437	1,862	4,629	692	-	692	5,321	5,851
Utilities	4,935	-	-	4,935	-	-	-	4,935	5,851
Professional services	7,963	8,600	11,148	27,711	4,141	-	4,141	31,852	34,097
Program supplies	6,072	1,514	2,020	9,606	-	-	-	9,606	11,050
Printing and office supplies	1,945	2,101	2,723	6,769	1,011	-	1,011	7,780	9,321
Training and education	581	627	813	2,021	302	-	302	2,323	530
Public relations and promotions	-	-	-	-	2,993	7,797	10,790	10,790	14,889
Postage	1,450	1,566	2,029	5,045	754	-	754	5,799	6,521
Repairs and maintenance	5,273	-	-	5,273	-	-	-	5,273	5,825
Miscellaneous	654	706	915	2,275	340	-	340	2,615	3,177
Total other expenses	100,799	71,441	132,847	305,087	27,787	7,797	35,584	340,671	329,986
TOTAL EXPENSES BEFORE DEPREC.	221,549	202,621	299,525	723,695	90,065	7,797	97,862	821,557	823,794
Depreciation	10,345	11,173	14,483	36,001	5,379	-	5,379	41,380	36,576
TOTAL FUNCTIONAL EXPENSES	\$ 231,894	\$ 213,794	\$ 314,008	\$ 759,696	\$ 95,444	\$ 7,797	\$ 103,241	\$ 862,937	\$ 860,370

See notes to financial statements.

YouthCARE

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MAY 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 21,393	\$ (183,933)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	41,380	36,576
Changes in assets and liabilities:		
Grants and other receivables	36,507	103,612
Prepaid expenses and other current assets	(2,455)	10,137
Other assets	-	399
Accounts payable	2,675	(300)
Accrued Expenses	1,059	1,920
Other liabilities	(14,088)	(14,088)
Deferred Revenue	-	-
Total adjustments	<u>65,078</u>	<u>138,256</u>
Net cash provided by (used in) operating activities	<u>86,471</u>	<u>(45,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES — Purchases of fixed assets		
	<u>(32,936)</u>	<u>(3,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES —		
Proceeds on Line of Credit	20,500	20,500
Payments on Line of Credit	(20,500)	(20,500)
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	53,535	(49,446)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>205,798</u>	<u>255,244</u>
CASH AND CASH EQUIVALENTS — End of year	<u><u>\$ 259,333</u></u>	<u><u>\$ 205,798</u></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.

YOUTH CARE

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MAY 31, 2010 AND 2009

1. ORGANIZATION

Youth CARE (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.

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

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 2010 or 2009.

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 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.

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.

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 no permanently restricted net assets as of May 31, 2010 and 2009.

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, 2010 — 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, 2009, from which the summarized information was derived.

New Accounting Standards — On July 1, 2009 the Financial Accounting Standards Board (FASB) adopted Accounting Standards Codification (ASC). In June 2006, the FASB issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (subsequently incorporated into ASC 740-10, *Income Taxes*). In December 2008, FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, was issued and permits an entity within its scope to defer the effective date of the sections of ASC 740 that were incorporated from FIN 48. The implementation of this guidance in the year ended May 31, 2010, had no impact on the financial statements.

Subsequent Events--For the year ended May 31, 2010, subsequent events were evaluated through December 22, 2010, the date the financial statements were available to be issued.

3. GRANTS AND OTHER RECEIVABLES

Grants and other receivables at May 31, 2010 and 2009, consisted of the following:

	2010	2009
General operating grant from the McKnight Foundation	-	\$ 70,000
General operating grant from the Nordquist Sign Company	\$ 1,000	-
General operating grant from the City of Minneapolis	23,515	-
General operating grant from McNeely Foundation	15,000	-
General operating grant from Sarah Ullmer	50	-
General operating grant from Hubler for Business Families	200	-
General operating grant from IBM Employees	21	-
General operating grant from Enterprise Holdings Foundation	2,500	-
General operating grant from Kohl's	500	-
General operating grant from MN Department of Public Safety	12,205	-
General operating grant from MN Department of Public Safety	9,763	-
General operating grant from University of Minnesota	295	-
General operating grant from University of Minnesota	810	-
General operating grant from Gary & Pat Sauer	-	25,000
Other receivables	4,636	12,002
Grants and other receivables — short-term	<u>\$ 70,495</u>	<u>\$ 107,002</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2010 and 2009 consisted of the following:

	2010	2009
Camp structures and improvements	\$ 260,955	\$ 260,955
Equipment, vehicles, and tools	177,065	149,379
Leasehold improvements	94,051	94,051
Accumulated depreciation	(466,693)	(430,563)
Total property and equipment	<u>\$ 65,378</u>	<u>\$ 73,822</u>

5. 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.

6. 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, 2010, are as follows:

Year Ending May 31	
2011	\$ 28,318
2012	30,000
2013	31,402
Total future minimum lease payments	<u>\$ 89,720</u>

Rental expense totaled \$38,029 for 2010 and \$36,795 for 2009.

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, 2010, the remaining long-term portion of the lease incentive is \$25,832 and the remaining short-term portion, recorded within other liabilities, is \$14,089.

7. 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, 2010 and 2009.

8. LINE OF CREDIT

On April 14, 2009, the Organization entered into a line of credit agreement with Bremer Bank for borrowings outstanding of up to \$45,000 at an interest rate of 6.00%. At May 31, 2010, there were no outstanding borrowings under this line of credit as the line of credit expired on August 21, 2009.

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%. At May 31, 2010, there were no outstanding borrowings under this line of credit as the line of credit expired on June 15, 2010.

YouthCARE entered into a new line of credit agreement with Bremer Bank on August 24, 2010; this line of credit expires on August 23, 2011.

9. 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, 2010 and 2009, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	2010	2009
Purpose restrictions accomplished — summer youth employment program	\$ 2,500	\$ 12,000
Time restrictions expired — passage of a specified time	95,000	140,000
Total net assets released from restrictions	<u>\$ 97,500</u>	<u>\$ 152,000</u>

10. 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, 2010 and 2009 are available for the following purposes or periods:

	2010	2009
Summer youth employment program	\$ -	\$ 2,500
General operating expenses time restriction	-	95,000
Total temporarily restricted net assets	<u>\$ -</u>	<u>\$ 97,500</u>
