YouthCARE

Financial Statements as of and for the
Years Ended May 31, 2012 and 2011, and
Independent Auditors' Report

YOUTHCARE

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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, 2012 and 2011, 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, 2012. 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, 2011, financial statements, and in our report dated November 7, 2011, 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 the Organization as of May 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, and the statement of functional expenses for the year ended May 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

November 9, 2012

YOUTHCARE

STATEMENTS OF FINANCIAL POSITION
AS OF MAY 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 169,603	$ 326,085
Grants and other receivables	104,206	26,388
Prepaid expenses and other current assets	4,967	6,948
Total current assets	278,776	359,421
PROPERTY AND EQUIPMENT — Net (Note 3)	28,337	56,425
TOTAL	$ 307,113	$ 415,846
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 1,500	$ 1,740
Accrued expenses	40,518	45,782
Deferred lease incentive	11,752	14,089
Total current liabilities	53,770	61,611
DEFERRED LEASE INCENTIVE — Long term (Note 5)	-	11,744
NET ASSETS:		
Unrestricted (Note 8)	253,343	314,827
Temporarily restricted (Note 9)	-	27,664
Permanently restricted	-	-
Total net assets	253,343	342,491
TOTAL	$ 307,113	$ 415,846

See notes to financial statements.

YOUTHCARE

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions:						
Business, corporate, and foundation support	$ 390,000	$ -	$ 390,000	$ 371,236	$ 27,664	$ 398,900
Governmental grants	106,390	-	106,390	151,936	-	151,936
Individual	95,606	-	95,606	98,707	-	98,707
Donated goods and services	118,012	-	118,012	96,521	-	96,521
Miscellaneous revenues	62,555	-	62,555	56,535	-	56,535
Interest income	172	-	172	163	-	163
Net assets released from restrictions	27,664	(27,664)	-	-	-	-
Total support and revenue	800,399	(27,664)	772,735	775,098	27,664	802,762
EXPENSES:						
Program services	773,751	-	773,751	678,179	-	678,179
Supporting services	88,132	-	88,132	95,986	-	95,986
Total expenses	861,883	-	861,883	774,166	-	774,166
CHANGE IN NET ASSETS	(61,484)	(27,664)	(89,148)	932	27,664	28,596
NET ASSETS — Beginning of year	314,827	27,664	342,491	313,895	-	313,895
NET ASSETS — End of year	$ 253,343	$ -	$ 253,343	$ 314,827	$ 27,664	$ 342,491

See notes to financial statements.

YOUTHCARE

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2012, AND SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2011

	2012								
	Program Services				Support Services				
	Camp Sunrise	Young Women's Mentoring Program	YouthLEAD Program	Total Program Services	Management and General	Fund-Raising	Total Support Services	Total	2011 Summarized Comparative Totals
COMPENSATION EXPENSE:									
Salaries and wages	$123,505	$125,962	$ 85,520	$334,987	$40,847	$ -	$ 40,847	$375,834	$376,933
Payroll taxes	13,987	14,425	10,053	38,465	5,245	-	5,245	43,710	36,517
Employee benefits	9,873	10,182	7,096	27,151	3,702	-	3,702	30,853	26,550
Total compensation expense	147,365	150,569	102,669	400,603	49,794	-	49,794	450,397	440,000
OTHER EXPENSES:									
Food	24,888	2,276	-	27,164	-	-	-	27,164	30,834
Program activities	13,053	21,843	14,678	49,574	2,181	-	2,181	51,755	36,032
Youth wages and stipends	20,110	23,301	85,596	129,008	1,508	-	1,508	130,516	75,730
Transportation	7,268	7,495	5,224	19,988	2,726	-	2,726	22,713	17,879
Insurance	3,951	4,075	2,840	10,865	1,482	-	1,482	12,347	12,764
Office rent	13,246	13,660	9,520	36,425	4,967	-	4,967	41,393	39,964
Telephone	1,854	1,912	1,332	5,098	695	-	695	5,793	6,146
Utilities	5,969	-	-	5,969	-	-	-	5,969	5,383
Professional services	9,612	9,913	6,909	26,434	3,605	-	3,605	30,039	30,287
Program supplies	4,934	333	-	5,267	-	-	-	5,267	6,313
Printing and office supplies	1,893	1,953	1,361	5,207	710	-	710	5,917	5,341
Training and education	475	490	341	1,306	178	-	178	1,484	1,879
Public relations and promotions	-	-	-	-	2,098	11,991	14,089	14,089	12,807
Postage	1,604	1,654	1,153	4,410	601	-	601	5,011	4,863
Repairs and maintenance	5,392	-	-	5,392	-	-	-	5,392	5,164
Miscellaneous	1,345	1,387	967	3,699	504	-	504	4,203	2,067
Total other expenses	115,594	90,292	129,921	335,806	21,255	11,991	33,246	369,052	293,454
TOTAL EXPENSES BEFORE DEPRECIATION	262,959	240,861	232,590	736,409	71,049	11,991	83,040	819,449	733,454
DEPRECIATION	13,579	14,003	9,760	37,342	5,092	-	5,092	42,434	40,712
TOTAL FUNCTIONAL EXPENSES	$276,538	$254,864	$242,350	$773,751	$76,141	$11,991	$ 88,132	$861,883	$774,166

See notes to financial statements.

YOUTHCARE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (89,148)	$ 28,596
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	42,434	40,712
Grant received for capital expenditures	-	(50,000)
Amortization of deferred lease incentive	(14,081)	(14,088)
Changes in assets and liabilities:		
Grants and other receivables	(77,818)	44,107
Prepaid expenses and other current assets	1,981	(2,683)
Accounts payable	(240)	(935)
Accrued expenses	(5,264)	2,800
Total adjustments	(52,988)	19,914
Net cash (used in) provided by operating activities	(142,136)	48,510
CASH FLOWS FROM INVESTING ACTIVITIES —		
Purchases of fixed assets	(14,346)	(31,758)
CASH FLOWS FROM FINANCING ACTIVITIES —		
Proceeds from grant for capital expenditures	-	50,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(156,482)	66,752
CASH AND CASH EQUIVALENTS — Beginning of year	326,085	259,333
CASH AND CASH EQUIVALENTS — End of year	$ 169,603	$ 326,085

See notes to financial statements.

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 6 through 18, through weekly group activities and individual meetings with mentors.

YouthLEAD Program — Provides outreach, counseling, employment, 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 2012 or 2011.

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. All recorded leasehold improvements are measured at the useful life. 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
Leasehold improvements	5 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, individual 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. Donated goods and services are recorded at the estimated fair value of the good and services received.

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 $0 and $27,664, and no permanently restricted net assets as of May 31, 2012 and 2011, 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, 2011, from which the summarized information was derived.

3. PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2012 and 2011, consisted of the following:

	2012	2011
Camp structures and improvements	$ 277,208	$ 277,208
Equipment, vehicles, and tools	195,266	180,920
Leasehold improvements	94,051	94,051
Accumulated depreciation	(538,188)	(495,755)
Total property and equipment — net	$ 28,337	$ 56,425

4. CAMP LEASE

The Camp land currently used by the Organization is approximately 275 acres and 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. All structures on the land were built by and belong to the Organization.

5. OFFICE LEASE

The Organization leases office space at 2701 University Ave. South East, Suite 205 under an operating lease. The original lease was set to expire on May 31, 2013; however, an agreement was reached extending the lease to May 31, 2018. The future minimum lease payments under this operating lease as of May 31, 2012, are as follows:

Years Ending May 31	
2013	$ 28,879
2014	28,038
2015	28,598
2016	29,159
2017	29,720
2018	30,281
Total future minimum lease payments	$ 174,675

Rental expense totaled $41,393 for 2012 and $39,964 for 2011.

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, 2012, the remaining portion of the lease incentive is $11,752, and is reflected as a deferred lease incentive in the statements of financial position.

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, 2012 and 2011.

7. LINE OF CREDIT

On August 30, 2011, the Organization entered into a line of credit agreement for $35,000 with Bremer Bank. This line of credit expired on August 29, 2012. An extension on the line of credit with the same bank was made on September 18, 2012, and is set to expire on September 17, 2013. Prior to any advance on the line, the Organization must provide written verification that there are sufficient grants and accounts receivable to repay the line. The Organization may draw on the line of credit for an amount up to 70% of the grants and accounts receivable balance on the date of the draw. The line of credit is in place for emergency purposes. The Organization has not drawn on this line of credit, nor does it have any current plans or needs to draw on the line of credit at the time the report was issued.

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 year ended May 31, 2012, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	2012	2011
Purpose restrictions accomplished — Camp Sunrise capital expenditures	$ 27,664	$ -
Total net assets released from restrictions	$ 27,664	$ -

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, 2012 and 2011, are available for the following purposes or periods:

	2012	2011
Camp Sunrise capital expenditures	$ -	$ 27,664
Total temporarily restricted net assets	$ -	$ 27,664

10. DONATED GOODS AND SERVICES

The organization received various donated goods and services in fiscal year 2012. The Organization received $20,000 in donated audit services, $4,125 in donated goods, and $93,887 from the City of Minneapolis in relation to the Organization's 2011 summer youth employment program. All of these items were recognized as contribution revenue in fiscal year 2012. As discussed in Note 4, the organization receives land through a lease with Xcel Energy Inc. at no cost. Refer to Note 4 for further information.

11. SUBSEQUENT EVENT

The Organization has evaluated subsequent events through November 9, 2012, which is the date the financial statements were available to be issued.

In August 2012, YouthCARE received notification that the Organization received a grant from the State of Minnesota Department of Education. The purpose of the grant is for the Organization to expand on its out of school time activities for urban youth 6-18 years old. YouthCARE must spend the money within the allotted budget and submit reimbursement requests on a quarterly basis. Reimbursement payments will be made within 30 days of receipt. The total award of the grant is $1,355,747 spread over a three-year period.

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