YouthCARE

Financial Statements as of and for the
Years Ended May 31, 2013 and 2012, 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 financial statements of YouthCARE (the "Organization"), which comprise the statements of financial position of May 31, 2013 and 2012, and the related statements of activities, statements of functional expenses, and statements of cash flows for the years then ended and the related notes to the financial statements. The prior year summarized comparative information in the statement of functional expenses has been derived from the Organization's May 31, 2012, financial statements, and in our report dated November 9, 2012, we expressed an unqualified opinion on those 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.

Auditors' 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 Company'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 Company'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 the Organization as of May 31, 2013 and 2012, 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, 2013, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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 financial activities.

Deloitte & Touche LLP

November 6, 2013

YOUTHCARE

STATEMENTS OF FINANCIAL POSITION
AS OF MAY 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 325,840	$ 169,603
Grants and other receivables	124,610	104,206
Prepaid expenses and other current assets	15,775	4,967
Total current assets	466,226	278,776
PROPERTY AND EQUIPMENT — Net (Note 4)	20,149	28,337
TOTAL	$ 486,375	$ 307,113
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 7,050	$ 1,500
Accrued expenses	57,722	40,518
Other current liabilities	439	11,752
Total current liabilities	65,211	53,770
NET ASSETS:		
Unrestricted (Note 9)	421,164	253,343
Total net assets	421,164	253,343
TOTAL	$ 486,375	$ 307,113

See notes to financial statements.

YOUTHCARE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions:						
Business, corporate, and foundation support	$ 392,251	$ -	$ 392,251	$ 390,000	$ -	$ 390,000
Governmental grants	427,275	-	427,275	106,390	-	106,390
Individual	106,056	-	106,056	95,606	-	95,606
Donated goods and services	125,799	-	125,799	118,012	-	118,012
Miscellaneous revenues	78,308	-	78,308	62,555	-	62,555
Interest income	22	-	22	172	-	172
Net assets released from restrictions	-	-	-	27,664	(27,664)	-
Total support and revenue	1,129,711	-	1,129,711	800,399	(27,664)	772,735
EXPENSES:						
Program services	830,194	-	830,194	773,751	-	773,751
Supporting services	131,696	-	131,696	88,132	-	88,132
Total expenses	961,890	-	961,890	861,883	-	861,883
CHANGE IN NET ASSETS	167,821	-	167,821	(61,484)	(27,664)	(89,148)
NET ASSETS — Beginning of year	253,343	-	253,343	314,827	27,664	342,491
NET ASSETS — End of year	$ 421,164	$ -	$ 421,164	$ 253,343	$ -	$ 253,343

See notes to financial statements.

YOUTHCARE

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2013, AND SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2012

	2013								
	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	2012 Summarized Comparative Totals
COMPENSATION EXPENSE:									
Salaries and wages	$137,150	$159,014	$140,852	$437,016	$ 48,299	$ 23,961	$ 72,260	$509,276	$375,834
Payroll taxes	14,462	16,604	14,997	46,063	5,013	2,486	7,499	53,562	43,710
Employee benefits	9,334	10,717	9,681	29,732	3,236	1,604	4,840	34,572	30,853
Total compensation expense	160,946	186,335	165,530	512,811	56,548	28,051	84,599	597,410	450,397
OTHER EXPENSES:									
Food	15,547	-	-	15,547	-	-	-	15,547	27,164
Program activities	15,988	22,176	16,809	54,973	-	-	-	54,973	57,022
Transportation	6,315	7,251	6,549	20,115	3,275	-	3,275	23,390	22,713
Insurance	3,967	4,555	4,114	12,636	2,057	-	2,057	14,693	12,347
Office rent	11,694	13,427	12,128	37,249	6,064	-	6,064	43,313	41,393
Telephone	2,222	2,552	2,305	7,079	1,152	-	1,152	8,231	5,793
Utilities	4,686	-	-	4,686	-	-	-	4,686	5,969
Professional services	14,857	17,059	15,408	47,324	7,704	-	7,704	55,028	30,039
Printing and office supplies	2,130	2,445	2,209	6,784	1,104	-	1,104	7,888	5,917
Training and education	1,416	1,625	1,468	4,509	734	-	734	5,243	1,484
Public relations and promotions	-	-	-	-	-	20,308	20,308	20,308	14,089
Postage	1,405	1,613	1,457	4,475	728	-	728	5,203	5,011
Repairs and maintenance	4,925	-	-	4,925	-	-	-	4,925	5,392
Miscellaneous	972	1,116	1,008	3,096	504	-	504	3,600	4,203
Youth wages and stipends	11,488	25,301	43,028	79,817	1,160	-	1,160	80,977	130,516
Total other expenses	97,612	99,120	106,483	303,215	24,482	20,308	44,790	348,005	369,052
TOTAL EXPENSES BEFORE DEPRECIATION	258,558	285,455	272,013	816,026	81,030	48,359	129,389	945,415	819,449
DEPRECIATION	4,448	5,107	4,613	14,168	2,307	-	2,307	16,475	42,434
TOTAL FUNCTIONAL EXPENSES	$263,006	$290,562	$276,626	$830,194	$ 83,337	$ 48,359	$131,696	$961,890	$861,883

See notes to financial statements.

YOUTHCARE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 167,821	$ (89,148)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	16,475	42,434
Grant received for capital expenditures	-	-
Changes in assets and liabilities:		
Grants and other receivables	(20,404)	(77,818)
Prepaid expenses and other current assets	(10,808)	1,981
Other current liabilities	(11,313)	(14,081)
Accounts payable	5,550	(240)
Accrued expenses	17,204	(5,264)
Total adjustments	(3,296)	(52,988)
Net cash provided by (used in) operating activities	164,525	(142,136)
CASH FLOWS USED IN INVESTING ACTIVITIES — Purchases of fixed assets	(8,288)	(14,346)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156,237	(156,482)
CASH AND CASH EQUIVALENTS — Beginning of year	169,603	326,085
CASH AND CASH EQUIVALENTS — End of year	$ 325,840	$ 169,603

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 7 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. There were no long term receivables recorded in 2013 or 2012.

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 2013 or 2012.

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. There were no temporary or permanently restricted net assets as of May 31, 2013 and 2012.

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, 2012 — The statement of functional expenses includes certain prior-year summarized comparative information in total, but not by functional expense classification. This information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2012, from which the summarized information was derived. This schedule is provided for supplemental purposes.

3. CONTRIBUTIONS

In August 2012, the Organization received a grant in the amount of $1,355,747 from the State of Minnesota Department of Education. The purpose of the grant is for the Organization to expand its out of school time activities for urban youth 6-18 years old. The grant will be received over a three year period, and YouthCARE must spend the money within the allotted budget and submit reimbursement requests on a quarterly basis. Revenue associated with this grant is recognized as expenses are incurred. During the year ended May 31, 2013, the Organization recognized $345,326 of revenue related to this grant.

4. PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2013 and 2012, consisted of the following:

	2013	2012
Camp structures and improvements	$ 277,208	$ 277,208
Equipment, vehicles, and tools	203,554	195,266
Leasehold improvements	94,051	94,051
Accumulated depreciation	(554,664)	(538,188)
Total property and equipment — net	$ 20,149	$ 28,337

5. 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.

6. 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, 2013, are as follows:

Years Ending May 31	
2014	$ 28,038
2015	28,598
2016	29,159
2017	29,720
2018	30,281
Total future minimum lease payments	$ 145,796

Rental expense totaled $43,313 and $41,393 for the years ended May 31, 2013 and 2012, respectively.

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, 2013 and 2012.

8. 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, which expired on September 17, 2013. On October 17, 2013, the Board of Directors approved a $50,000 line of credit expiring October 17, 2015. This line of credit is with the same bank, and carries the same terms. 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.

9. UNRESTRICTED NET ASSETS

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

Net assets of $27,664 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. There were no restricted assets as of May 31, 2012 to be released for restrictions in 2013.

10. DONATED GOODS AND SERVICES

The organization received various donated goods and services in fiscal year 2013 and 2012. The Organization received $29,200 in donated audit and tax services, $4,757 in donated goods, and $91,842 from the City of Minneapolis and City of St. Paul in relation to the Organization's 2012 summer youth employment program. All of these items were recognized as contribution revenue in fiscal year 2013. 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 6, 2013, which is the date the financial statements were available to be issued.

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