YouthCARE

Financial Statements as of and for the
Years Ended May 31, 2014 and 2013, and
Independent Auditors' Report

YOUTHCARE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
YouthCARE
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of YouthCARE (the "Organization"), which comprise the statements of financial position of May 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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, 2013, financial statements, and in our report dated November 6, 2013, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, and the statement of functional expenses for the years ended May 31, 2014 and 2013, in accordance 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 10, 2014

YOUTHCARE

STATEMENTS OF FINANCIAL POSITION
AS OF MAY 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 428,415	$ 325,840
Grants and other receivables	172,915	124,610
Prepaid expenses and other current assets	13,011	15,776
Total current assets	614,341	466,226
PROPERTY AND EQUIPMENT — Net (Note 4)	92,159	20,149
TOTAL	$ 706,500	$ 486,375
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 7,692	$ 7,050
Accrued expenses	77,278	57,722
Other current liabilities	428	439
Total current liabilities	85,398	65,211
NET ASSETS:		
Unrestricted (Note 9)	561,102	421,164
Temporarily Restricted (Note 10)	60,000	-
Total net assets	621,102	421,164
TOTAL	$ 706,500	$ 486,375

See notes to financial statements.

YOUTHCARE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MAY 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions:						
Business, corporate, and foundation support	$ 457,400	$ 60,000	$ 517,400	$ 392,251	$ -	$ 392,251
Governmental grants	560,519	-	560,519	427,275	-	427,275
Individual	95,083	-	95,083	106,056	-	106,056
Donated goods and services	135,606	-	135,606	125,799	-	125,799
Miscellaneous revenues	98,376	-	98,376	78,308	-	78,308
Interest income	90	-	90	22	-	22
Net assets released from restrictions	-	-	-	-	-	-
Total support and revenue	1,347,074	60,000	1,407,074	1,129,711	-	1,129,711
EXPENSES:						
Program services	909,842	-	909,842	830,194	-	830,194
Supporting services	297,294	-	297,294	131,696	-	131,696
Total expenses	1,207,136	-	1,207,136	961,890	-	961,890
CHANGE IN NET ASSETS	139,938	60,000	199,938	167,821	-	167,821
NET ASSETS — Beginning of year	421,164	-	421,164	253,343	-	253,343
NET ASSETS — End of year	$ 561,102	$ 60,000	$ 621,102	$ 421,164	$ -	$ 421,164

See notes to financial statements.

YOUTHCARE

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2014, AND SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MAY 31, 2013

	2014								
	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	2013 Summarized Comparative Totals
COMPENSATION EXPENSE:									
Salaries and wages	$132,453	$114,327	$192,338	$439,118	$ 130,291	$ 53,404	$183,695	$ 622,813	$509,276
Payroll taxes	12,646	10,916	18,360	41,922	12,438	5,095	17,533	59,455	53,562
Employee benefits	10,863	9,377	15,771	36,011	10,684	4,377	15,061	51,072	34,572
Total compensation expense	155,962	134,620	226,469	517,051	153,413	62,876	216,289	733,340	597,410
OTHER EXPENSES:									
Food	26,578	-	-	26,578	-	-	-	26,578	15,547
Program activities	24,232	22,453	18,535	65,220	4,197	-	4,197	69,417	54,973
Transportation	9,641	8,323	14,002	31,966	9,484	-	9,484	41,450	23,390
Insurance	3,915	3,380	5,685	12,980	3,851	-	3,851	16,831	14,693
Office rent	13,727	11,850	19,935	45,512	13,503	-	13,503	59,015	43,313
Telephone	1,740	1,502	2,527	5,769	1,712	-	1,712	7,481	8,231
Utilities	6,332	-	-	6,332	-	-	-	6,332	4,686
Professional services	12,187	10,520	17,698	40,405	11,987	-	11,987	52,392	55,028
Printing and office supplies	1,692	1,460	2,457	5,609	1,664	-	1,664	7,273	7,888
Training and education	1,260	1,087	1,829	4,176	1,239	-	1,239	5,415	5,243
Public relations and promotions	-	-	-	-	-	23,198	23,198	23,198	20,308
Postage	1,334	1,151	1,937	4,422	1,312	-	1,312	5,734	5,203
Repairs and maintenance	8,585	-	-	8,585	-	-	-	8,585	4,925
Miscellaneous	1,018	879	1,478	3,375	1,001	-	1,001	4,376	3,600
Youth wages and stipends	23,169	31,264	57,335	111,768	1,894	-	1,894	113,662	80,977
Total other expenses	135,410	93,869	143,418	372,697	51,844	23,198	75,042	447,739	348,005
TOTAL EXPENSES BEFORE DEPRECIATION	291,372	228,489	369,887	889,748	205,257	86,074	291,331	1,181,079	945,415
DEPRECIATION	6,060	5,232	8,801	20,094	5,963	-	5,963	26,058	16,475
TOTAL FUNCTIONAL EXPENSES	$297,432	$233,721	$378,688	$909,842	$ 211,220	$ 86,074	$297,294	$ 1,207,136	$961,890

See notes to financial statements.

YOUTHCARE

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 199,938	$ 167,821
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	26,055	16,475
Grant received for capital expenditures		
Changes in assets and liabilities:		
Grants and other receivables	(48,305)	(20,404)
Prepaid expenses and other current assets	2,763	(10,808)
Other current liabilities	(11)	(11,313)
Accounts payable	642	5,550
Accrued expenses	19,556	17,204
Total adjustments	700	(3,296)
Net cash provided by operating activities	200,638	164,525
CASH FLOWS USED IN INVESTING ACTIVITIES: — Purchases of fixed assets	(98,063)	(8,288)
NET INCREASE IN CASH AND CASH EQUIVALENTS	102,575	156,237
CASH AND CASH EQUIVALENTS — Beginning of year	325,840	169,603
CASH AND CASH EQUIVALENTS — End of year	$ 428,415	$ 325,840

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 2014 or 2013.

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 2014 or 2013.

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 governmental 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, 2014 and 2013.

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, 2013 — 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, 2013, 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 7–18 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, 2014 and 2013, the Organization recognized $459,819 and $345,326, respectively, of revenue related to this grant.

4. PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2014 and 2013, consisted of the following:

	2014	2013
Camp structures and improvements	$ 291,392	$ 277,208
Equipment, vehicles, and tools	249,138	203,554
Leasehold improvements	94,051	94,051
Accumulated depreciation	(542,422)	(554,664)
Total property and equipment — net	$ 92,159	$ 20,149

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, 2014, are as follows:

Years Ending May 31	
2015	$ 28,598
2016	29,159
2017	29,720
2018	30,281
Total future minimum lease payments	$ 117,758

Rental expense totaled $59,016 and $43,313 for the years ended May 31, 2014 and 2013 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, 2014 and 2013.

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.

There were no net assets released from donor restrictions during the year ended May 31, 2013 or as of May 31, 2013 to be released for restrictions in 2014.

10. TEMPORARILY RESTRICTED NET ASSETS

The Organization received a multiyear grant from the Otto Bremer Foundation for the Multicultural Youth Employment Program in the amount of $120,000. The Organization received $60,000 during the year ended May 31, 2014 and will receive $60,000 during the year ended May 31, 2015. As such, there is $60,000 in temporarily restricted net assets at May 31, 2014.

11. DONATED GOODS AND SERVICES

The organization received various donated goods and services in fiscal year 2014 and 2013. The Organization received $30,200 in donated audit and tax services $24,430 in donated goods, and $80,977 from the City of Minneapolis and City of St. Paul in relation to the Organization's 2013 summer youth employment program. All of these items were recognized as contribution revenue in fiscal year 2014. 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.

12. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Revenue from Contracts with Customers, Topic 606 (Accounting Standards Update (ASU) No. 2014-09), which provides a framework for the recognition of revenue, with the objective that recognized revenues properly reflect amounts an entity is entitled to receive in exchange for goods and services. This guidance, which includes additional disclosure requirements regarding revenue, cash flows and obligations related to contracts with customers, will be effective for interim and annual reporting periods beginning after December 15, 2016. We are currently evaluating the impact of adopting ASU 2014-09 on our financial statements.

13. SUBSEQUENT EVENT

The Organization has evaluated subsequent events through November 10, 2014, which is the date the financial statements were available to be issued.

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