

YOUTH SERVICE BUREAU, INC.

**Financial Statements
December 31, 2015 with Comparative Totals for 2014**

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foley kalseim

and company, ltd.

certified public accountants
and consultants

Independent Auditor's Report

The Board of Directors
Youth Service Bureau, Inc.
Stillwater, Minnesota

We have audited the accompanying financial statements of Youth Service Bureau, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 entity'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 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 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 Youth Service Bureau, Inc., as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Youth Service Bureau, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foley Kalseim & Company, Ltd.

April 21, 2016
Lake Elmo, MN

YOUTH SERVICE BUREAU, INC.
Statements of Financial Position
December 31, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 323,422	\$ 312,947
Cash - UST Fund	15,259	16,187
Investments	326,132	325,963
Client fees receivable, net of allowance	37,234	81,559
Grants receivable	25,396	25,457
Prepaid expenses	6,803	9,616
Total current assets	734,246	771,729
PROPERTY AND EQUIPMENT		
Buildings and improvements	622,232	622,233
Furniture and equipment	38,036	37,466
	660,268	659,699
Less accumulated depreciation	(616,276)	(601,735)
Total property and equipment	43,992	57,964
OTHER ASSETS		
Security deposit	2,250	2,250
Beneficial interest in assets held at St. Paul Foundation	14,576	14,964
Total other assets	16,826	17,214
Total assets	\$ 795,064	\$ 846,907

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 5,279	\$ 9,910
Accrued salaries, benefits and payroll taxes	25,958	40,630
Accrued vacation	15,238	17,268
Total current liabilities	46,475	67,808
NET ASSETS		
Unrestricted net assets	734,013	749,544
Temporarily restricted net assets	-	14,591
Permanently restricted net assets	14,576	14,964
Total net assets	748,589	779,099
Total liabilities and net assets	\$ 795,064	\$ 846,907

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
 Statements of Activities and Change in Net Assets
 For the Year Ended December 31, 2015 with Comparative Totals for 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2015	2014
GRANTS, SUPPORT AND REVENUE					
Client fees	\$ 252,378	\$ -	\$ -	\$ 252,378	\$ 278,190
Public support					
State of Minnesota	82,029	-	-	82,029	82,199
Washington County	251,169	-	-	251,169	247,457
School - based contracts	46,000	-	-	46,000	43,634
Municipalities	78,725	-	-	78,725	83,771
United Way	75,160	-	-	75,160	86,254
Private contributions	154,475	23,000	500	177,975	188,311
In-kind contributions	3,446	-	-	3,446	3,399
Total public support	691,004	23,000	500	714,504	735,025
Other revenue and (expenses)					
Rental income, net	8,806	-	-	8,806	9,622
Investment income, net of fees	738	-	(320)	418	33,728
St. Paul Foundation disbursement	-	-	(568)	(568)	(568)
Special events revenue	15,589	-	-	15,589	21,575
Special events expense	(6,962)	-	-	(6,962)	(9,286)
Other revenue	999	-	-	999	450
Total other revenue and (expenses)	19,170	-	(888)	18,282	55,521
Total grants, support and revenue	962,552	23,000	(388)	985,164	1,068,736
EXPENSES					
Program expenses	814,901	37,591	-	852,492	872,134
Management and general	105,352	-	-	105,352	109,254
Fundraising	57,830	-	-	57,830	51,577
Total expenses	978,083	37,591	-	1,015,674	1,032,965
Change in net assets	(15,531)	(14,591)	(388)	(30,510)	35,771
NET ASSETS					
Beginning of year	749,544	14,591	14,964	779,099	743,328
End of year	\$ 734,013	\$ -	\$ 14,576	\$ 748,589	\$ 779,099

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2015 with Comparative Totals for 2014

	<u>Supporting Services</u>			Total Supporting Services	Total 2015	Total 2014
	Program Services	Management and General	Fundraising			
Salaries and payroll taxes	\$ 570,672	\$ 52,012	\$ 49,586	\$ 101,598	\$ 672,270	\$ 695,587
Benefits	<u>51,512</u>	<u>10,177</u>	<u>3,288</u>	<u>13,465</u>	<u>64,977</u>	<u>52,173</u>
Total salaries and related	622,184	62,189	52,874	115,063	737,247	747,760
Subsidized care and insurance adjustments	104,157	-	-	-	104,157	87,954
Advertising	-	1,435	-	1,435	1,435	2,558
Bank charges and fees	-	3,256	-	3,256	3,256	3,078
Computer services and supplies	457	6,594	-	6,594	7,051	7,046
Dues and subscriptions	752	3,345	225	3,570	4,322	4,676
Educational programs	6,967	-	-	-	6,967	7,048
Insurance	7,579	2,663	-	2,663	10,242	8,604
Lawn care and snow removal	1,200	-	-	-	1,200	1,200
Meeting expense	15	615	-	615	630	1,070
Minnesota care tax	2,572	-	-	-	2,572	3,917
Miscellaneous	286	1,115	-	1,115	1,401	672
Postage and delivery	2,743	126	110	236	2,979	5,812
Printing and reproduction	2,028	1,591	-	1,591	3,619	4,163
Professional fees	2,476	15,904	-	15,904	18,380	32,425
Rent	48,783	3,971	3,971	7,942	56,725	50,838
Repairs and maintenance	9,478	11	-	11	9,489	17,300
Staff development	1,748	1,350	100	1,450	3,198	2,105
Supplies	2,736	157	-	157	2,893	3,155
Telephone	13,907	-	-	-	13,907	14,113
Travel	7,064	1,030	550	1,580	8,644	9,860
Utilities	<u>6,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,292</u>	<u>6,048</u>
Total expenses before depreciation	843,424	105,352	57,830	163,182	1,006,606	1,021,402
Depreciation	<u>9,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,068</u>	<u>11,563</u>
Total expenses	<u>\$ 852,492</u>	<u>\$ 105,352</u>	<u>\$ 57,830</u>	<u>\$ 163,182</u>	<u>\$ 1,015,674</u>	<u>\$ 1,032,965</u>

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (30,510)	\$ 35,771
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	15,751	19,699
Bad debts	(10,000)	(30,000)
Realized and unrealized (gains) and losses	26,251	(7,859)
Changes in operating assets and liabilities:		
Grants receivable	61	21
Client fee receivables	54,325	59,595
Other receivables	-	2,825
Prepaid expenses	2,813	6,227
Security deposit	-	(2,250)
Accounts payable	(4,631)	4,402
Accrued salaries, benefits and taxes	(14,672)	2,651
Accrued vacation	(2,030)	(3,674)
Security deposit - tenant	-	(500)
Net cash flows from operating activities	37,358	86,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net of sales	(26,419)	(28,055)
Purchase of property and equipment	(1,780)	(3,784)
Beneficial interest in assets held at St. Paul Foundation activity, net	388	(480)
Net cash flows from investing activities	(27,811)	(32,319)
Net change in cash and cash equivalents	9,547	54,589
CASH AND CASH EQUIVALENTS		
Beginning of year	329,134	274,545
End of year	\$ 338,681	\$ 329,134

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Youth Service Bureau, Inc. (the Organization) is a community supported, nonprofit agency offering professional counseling services and diversion services to young people and their families. The mission is to provide early intervention alternatives for youth and families to realize their strengths, find solutions and create positive futures. Major sources of revenue are from state, county and local government units, client fees, private donations and local United Ways. The Organization charges a sliding fee scale to clients based on their ability to pay.

Description of Programs: The following programs are offered at service sites located in Stillwater, Woodbury, and Cottage Grove, Minnesota.

Mental Health Services - Individual, family and group counseling services intended to provide youth, ages 7-18, and their families with affordable, accessible and effective care.

Diversion Services - A number of programs designed to provide an early intervention and diversion alternative to juvenile court for youth involved in delinquent behavior. Programs include victim offender mediation services, community work service and behavior specific education interventions that address theft, assault and chemical use.

School Based Services – A program to help students stay in school and perform well academically. The Organization partners with schools to provide chemical health education and intervention, and healthy living.

Income Tax Status: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a nonprivate corporation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

Basis of Accounting: The Organization uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Contributions: Contributions, including unconditional promises to give are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

- Unrestricted – Those resources over which the Board of Directors has discretionary control.
- Temporarily Restricted with respect to time or purpose – Those resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.
- Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables: Accounts receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance. No interest is charged on past due accounts. At December 31, 2015 and 2014, an allowance of \$15,000 and \$25,000, respectively, has been provided.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, Equipment and Depreciation: The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, or contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed as follows:

	Life	Method
Buildings	20 Years	Straight Line
Improvements	5 to 20 Years	Straight Line
Furniture & Equipment	5 Years	Straight Line

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$15,751 and \$19,699 respectively. A portion of this depreciation expense was net with rental income.

When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

The cost of maintenance and repairs is expensed as incurred.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 21, 2016, the date the financial statements were issued.

Functional Allocation of Expenses: The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash and cash equivalents consist of money market accounts and any highly liquid debt instruments purchased with an initial maturity of three months or less.

The Organization places its temporary cash investments with several financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Uninsured balances were \$78,143 and \$-0- at December 31, 2015 and 2014, respectively. No losses have been recognized by the Organization.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services, Materials and Equipment: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

During the years ended December 31, 2015 and 2014 donated services to the Organization included the following:

	2015	2014
Donated Maintenance	\$ 3,000	\$ 3,000
Bank Fees	354	399
Miscellaneous	92	-
	\$ 3,446	\$ 3,399

Government Grants and Contracts: Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Accrued Compensated Absences: Accrued compensated absences consist of accrued vacation time. Vacation time accrues to employees based on their term of employment. Vacation time pay is recorded as an expense and liability in the period earned. Employees may carry over a maximum of 80 hours of accrued vacation time from the previous year.

Comparative Financial Statements: The financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by functionalized expenses. 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 December 31, 2014, from which summarized information was derived.

Long-Lived Assets: Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying account or fair value less costs to sell. The Organization has determined that no impairment existed at December 31, 2015 and 2014.

Advertising Costs: The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$1,435 and \$2,558, respectively.

Investments: The Organization's investments consist of mutual funds which are recorded at market value.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

2. INVESTMENTS

The Organization's investments at December 31, 2015 and 2014 consist of marketable securities stated at fair value as summarized below:

	2015	2014
Mutual Funds	\$ 326,132	\$ 325,963

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2015 and 2014.

	2015	2014
Interest, Dividends, Cap Gains	\$ 27,922	\$ 25,962
Beneficial Interest in Assets		
Held at St Paul Fdn activity,	(320)	798
Net of Fees		
Unrealized Gains (Losses)	(29,365)	7,859
Realized Gains (Losses)	3,115	-
Less Fees	(934)	(891)
Totals	\$ 418	\$ 33,728

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$-0- and \$14,591 as of December 31, 2015 and 2014, respectively, consisted of funds received for a Parent Education program in Stillwater, MN, less the amount expensed for the specific program. As a result, temporarily restricted net assets decreased by \$14,591 in 2015.

4. LEASE COMMITMENTS

The Organization leases approximately 1,800 square feet of office space located at 7876 Hudson Road, Woodbury, Minnesota under an operating lease. The current lease requires monthly payments of \$2,250 through November 30, 2019. This lease calls for an annual 3% increase for years 2017-2019.

The Organization leases approximately 2,378 square feet of office space located in the Washington County Historic Courthouse, Stillwater, Minnesota under 3 separate operating leases. The current leases require a combined monthly payment of \$2,477 through December 31, 2015. The Organization renewed two of the leases for a total of 1,928 square feet for the period January 1, 2016 through December 31, 2016, with a combined monthly payment of \$2,008.

Total rent expense on these leases for the years ended December 31, 2015 and 2014 was \$56,725 and \$50,838, respectively. Future minimum lease payments under these leases as of December 31, 2015 are:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 51,100
2017	27,810
2018	28,644
2019	27,045
	\$ 134,599

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

5. RETIREMENT PLAN

On January 1, 2008 the Organization adopted a 403(b) thrift plan (the plan) covering all employees. Employees are eligible for employer matching contributions after completing one year of service. The Organization matches employee contributions up to 4% of their gross pay. Employer contributions are subject to a vesting schedule. Matching expense under the plan for the years ended December 31, 2015 and 2014 was \$19,690 and \$15,499, respectively.

6. TRANSFERS OF ASSETS TO A RECIPIENT ORGANIZATION THAT RAISES OR HOLDS CONTRIBUTIONS FOR OTHERS

In November 2001, the Organization transferred assets to the Youth Service Bureau Fund (the Fund), which is held by the St. Paul Foundation (the Foundation). The property in the Fund was contributed to the Foundation to be held under terms of an agreement. The agreement provides that payments from the Fund to the Organization can be made at the discretion of the Foundation at such times and in such amounts and for such charitable purposes as the Foundation deems appropriate. All funds administered by the Foundation are subject to the bylaws of the Foundation which includes the power to vary some of the terms of the agreement, if in the judgment of the Foundation's Board of Directors the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as the "variance power" and is the legal requirement imposed on all community foundations. As a result of the variance power, all component funds are considered to be parts of a single public charity, in this case the St. Paul Foundation.

In accordance with standards, if a community foundation accepts a contribution from an organization and agrees to transfer those assets, the return on investment of those assets, or both back to the Organization, those contributions to a community foundation must be presented as an asset of the donor organization (Beneficial Interest in Assets Held at St. Paul Foundation) on the statement of financial position. However, it is important to note that this treatment is for financial statement presentation purposes only and the legal ownership of the assets remains with the St. Paul Foundation. The Organization reports distributions received as investment income and changes in the value of the Fund are reported as gains or losses in the statement of activities. Changes in the Fund for the year ended December 31, 2015 are as follows:

Balance at December 31, 2014	\$ 14,964
Share of depreciation of fund	<u>(388)</u>
Balance at December 31, 2015	<u>\$ 14,576</u>

7. CONCENTRATIONS

For the years ended December 31, 2015 and 2014, the Organization received approximately 42% and 39%, respectively, of their total revenue from state, county and local governmental units. An additional 8% of their total revenue came from local United Ways, for the years ended December 31, 2015 and 2014. A significant reduction in this funding could materially affect the activities of the Organization.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

8. OPERATING LEASE COMMITMENTS

The Organization leased to three tenants under operating leases for office space located at 7065 West Point Douglas Road, Cottage Grove, Minnesota during 2015. The terms of those leases call for base monthly payments of \$945 through November 30, 2015 (with annual increases through November 30, 2016), monthly payments of \$171 through May 31, 2015, and monthly payments of \$464 through August 31, 2015 (with annual increases through August 31, 2017). In addition, the leases call for common area maintenance fees and prorated property tax reimbursements. Rental income is reported net of related expenses and depreciation of \$6,683 and \$8,136 for the years ended December 31, 2015 and 2014, respectively.

The following is a schedule by years of future minimum rentals under the leases at December 31, 2015:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 27,950
2017	3,816

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Fair Value Measurements

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include; 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in inactive markets; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurement

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Mutual funds and tax-exempt municipal funds: Values at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Beneficial Interest in Assets Held at St. Paul Foundation: Valued as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Foundation's investments are composed of domestic equities, foreign stocks, bonds, and alternative investments including hedge funds, real estate and private equity funds. The beneficial interest of assets held at the St. Paul Foundation is not redeemable by the Organization as described in note 6.

Fair values of assets measured on a recurring basis at December 31, 2015 and 2014 as follows:

	Fair Value Measurements at Reporting Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2015</u>			
Mutual Funds			
Index Funds - St. Croix			
Valley Foundation	\$ 60,520	\$ 60,520	\$ -
Tax-exempt Municipal Funds	30,356	30,356	-
Equity Funds	<u>235,256</u>	<u>235,256</u>	<u>-</u>
	<u>\$ 326,132</u>	<u>\$ 326,132</u>	<u>\$ -</u>
Beneficial Interest in Assets			
Held at St. Paul Foundation	\$ 14,576	\$ -	\$ 14,576
<u>December 31, 2014</u>			
Mutual Funds			
Index Funds – St. Croix			
Valley Foundation	\$ 62,273	\$ 62,273	\$ -
Equity Funds	258,401	258,401	-
Bond Funds	<u>5,289</u>	<u>5,289</u>	<u>-</u>
	<u>\$ 325,963</u>	<u>\$ 325,963</u>	<u>\$ -</u>
Beneficial Interest in Assets			
Held at St. Paul Foundation	\$ 14,964	\$ -	\$ 14,964

Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities in Level 3 financial instruments:

Balance at December 31, 2013	\$ 14,484
Share of appreciation of fund	<u>480</u>
Balance at December 31, 2014	<u>\$ 14,964</u>
Share of depreciation of fund	<u>(388)</u>
Balance at December 31, 2015	<u>\$ 14,576</u>

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2015 with Comparative Totals for 2014
(continued)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The components of the net gain on investments, including Level 3 investments, as reported in the accompanying consolidated statements of activities are as follow for the years ended December 31, 2015 and 2014:

	2015	2014
Interest and dividends	196	237
Investment gain (loss)	(209)	698
Grants paid	(568)	(568)
Contributions	500	250
Administrative and investment expenses	(307)	(137)
Share of appreciation (depreciation) of fund	\$ (388)	\$ 480

10. INCOME TAXES

The Organization has evaluated for uncertain tax positions and management has expressed there are no uncertain tax positions as of December 31, 2015. Tax returns for the past three years remain open for examination by tax jurisdictions.

11. ST. CROIX VALLEY FOUNDATION

The Organization established a long-term fund with the St. Croix Valley Foundation (SCVF) in 2001. The fair market value of the fund is included in the Organization's investments. During 2007, SCVF initiated a matching grant program called Partners for the Future in which the Organization was awarded \$25,000. The initial matching funds, plus additional gifts from SCVF donors, are an asset of the SCVF and not the Organization's, and as a result are not reported in the Organization's financial statements. The Organization is entitled to the annual spendable amount which is 5% of the average past sixteen quarters' fund balance. The annual spendable amount can be used by the Organization or transferred to the long-term fund established at the SCVF and as a result would increase the Organization's investments. As of December 31, 2015 and 2014, the spendable amount from the SCVF matching grant is \$2,448 and \$2,124, respectively.

12. GRANTS RECEIVABLE

Grants receivable as of December 31, 2015 are expected to be realized in one year or less and consist of the following:

State of Minnesota	\$ 20,446
United Way	4,950
Total	\$ 25,396

13. UNEMPLOYMENT FUND

The Organization has an unemployment fund with an unemployment management company. Before 2014, the Organization was accounting for contributions to the fund as expenditures. Since then, it has determined that the contributions to the fund are a cash asset of the Organization. Any unemployment claims are paid from this fund. During 2015 and 2014, there were no claims paid from this fund. At December 31, 2015 and 2014 the balance in this fund was \$15,259 and \$16,187, respectively.