YOUTH SERVICE BUREAU, INC.

Financial Statements
December 31, 2017 with Comparative Totals for 2016

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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, 2017 and the related statement of activities and change in net assets, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foley Kalseim & Company, Ltd.

Lake Elmo, MN
June 19, 2018

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YOUTH SERVICE BUREAU, INC.
Statements of Financial Position
December 31, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 809,528	$ 616,479
Investments	361,092	317,081
Client fees receivable, net of allowance	46,907	42,195
Grants receivable	123,826	50,272
Prepaid expenses	25,643	8,669
Total current assets	1,366,996	1,034,696
PROPERTY AND EQUIPMENT		
Buildings and improvements	651,847	622,232
Furniture and equipment	61,601	47,901
	713,448	670,133
Less accumulated depreciation	(640,594)	(628,375)
Total property and equipment	72,854	41,758
OTHER ASSETS		
Security deposit	2,250	2,250
UST unemployment fund - restricted cash	17,159	15,951
Beneficial interest in assets held at St. Paul Foundation	16,685	15,206
Total other assets	36,094	33,407
Total assets	$ 1,475,944	$ 1,109,861

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 7,014	$ 9,093
Accrued salaries, benefits and payroll taxes	34,140	23,206
Accrued vacation	21,195	22,784
Total current liabilities	62,349	55,083
NET ASSETS		
Unrestricted net assets	670,427	694,572
Temporarily restricted net assets	726,483	345,000
Permanently restricted net assets	16,685	15,206
Total net assets	1,413,595	1,054,778
Total liabilities and net assets	$ 1,475,944	$ 1,109,861

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Statements of Activities and Change in Net Assets
For the Year Ended December 31, 2017 with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
GRANTS, SUPPORT AND REVENUE					
Client fees	$ 388,102	$ -	$ -	$ 388,102	$ 386,510
Public support					
State of Minnesota	50,000	-	-	50,000	50,000
Washington County	251,169	-	-	251,169	251,169
School - based contracts	52,142	-	-	52,142	59,647
Municipalities	68,500	-	-	68,500	71,250
United Way	74,682	-	-	74,682	108,122
Private contributions	139,358	581,950	-	721,308	501,419
In-kind contributions	5,646	-	-	5,646	3,900
Total public support	641,497	581,950	-	1,223,447	1,045,507
Other revenue and (expenses)					
Rental income, net	17,541	-	-	17,541	8,253
Investment income, net of fees	45,274	-	2,075	47,349	46,752
St. Paul Foundation disbursement	-	-	(596)	(596)	(617)
Special events revenue	-	40,517	-	40,517	-
Special events expense	-	(16,500)	-	(16,500)	(1,178)
Other revenue	410	-	-	410	1,218
Total other revenue and (expenses)	63,225	24,017	1,479	88,721	54,428
Net assets released from restrictions	43,315	(43,315)	-	-	-
Total grants, support and revenue	1,136,139	562,652	1,479	1,700,270	1,486,445
EXPENSES					
Program expenses	895,076	181,169	-	1,076,245	931,956
Management and general	148,447	-	-	148,447	142,460
Fundraising	116,761	-	-	116,761	105,840
Total expenses	1,160,284	181,169	-	1,341,453	1,180,256
Change in net assets	(24,145)	381,483	1,479	358,817	306,189
NET ASSETS					
Beginning of year	694,572	345,000	15,206	1,054,778	748,589
End of year	$ 670,427	$ 726,483	$ 16,685	$ 1,413,595	$ 1,054,778

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.

Statements of Functional Expenses

For the Year Ended December 31, 2017 with Comparative Totals for 2016

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total 2017	Total 2016
Salaries	$ 625,208	$ 73,306	$ 78,700	$ 152,006	$ 777,214	$ 676,696
Payroll taxes	45,302	6,569	5,872	12,441	57,743	49,344
Benefits	54,299	14,993	5,619	20,612	74,911	59,405
Total salaries and related	724,809	94,868	90,191	185,059	909,868	785,445
Subsidized care and insurance adjustments	153,398	-	-	-	153,398	173,839
Bank charges and fees	-	2,617	-	2,617	2,617	2,286
Computer services and supplies	29,164	3,411	-	3,411	32,575	12,958
Dues and subscriptions	755	3,484	-	3,484	4,239	2,646
Educational programs	11,379	-	-	-	11,379	8,245
Insurance	8,982	3,156	-	3,156	12,138	11,089
Lawn care and snow removal	1,200	-	-	-	1,200	1,200
Meeting expense	700	1,395	23	1,418	2,118	1,336
Minnesota care tax	3,545	-	-	-	3,545	4,578
Miscellaneous	2,352	1,387	-	1,387	3,739	2,094
Postage and delivery	1,528	100	453	553	2,081	2,357
Printing and reproduction	3,848	2,732	1,100	3,832	7,680	5,997
Professional fees	23,823	23,925	18,814	42,739	66,562	58,281
Rent	44,378	3,612	3,612	7,224	51,602	51,100
Repairs and maintenance	23,013	2,842	1,713	4,555	27,568	17,672
Staff development	2,702	199	-	199	2,901	1,299
Supplies	2,677	2,793	-	2,793	5,470	2,677
Telephone	15,860	-	-	-	15,860	13,461
Travel	8,314	1,926	855	2,781	11,095	8,540
Utilities	6,198	-	-	-	6,198	6,573
Total expenses before depreciation	1,068,625	148,447	116,761	265,208	1,333,833	1,173,673
Depreciation	7,620	-	-	-	7,620	6,583
Total expenses	$ 1,076,245	$ 148,447	$ 116,761	$ 265,208	$ 1,341,453	$ 1,180,256

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

		2017		2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	358,817	$	306,189
Adjustments to reconcile change in net assets to net cash flows from operating activities				
Depreciation		12,218		12,099
Realized and unrealized (gains) and losses		(12,102)		(27,270)
Changes in operating assets and liabilities:				
Grants receivable		(73,554)		(24,876)
Client fee receivables		(4,712)		(4,961)
Prepaid expenses		(16,974)		(1,865)
Accounts payable		(2,079)		3,814
Accrued salaries, benefits and taxes		10,934		(2,753)
Accrued vacation		(1,589)		7,546
Net cash flows from operating activities		270,959		267,923
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments, net of sales		(31,908)		5,965
Purchase of property and equipment		(43,315)		(9,865)
Beneficial interest in assets held at St. Paul Foundation activity, net		(1,479)		(630)
Net cash flows from investing activities		(76,702)		(4,530)
Net change in cash and cash equivalents		194,257		263,393
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Beginning of year		632,430		369,037
End of year	$	826,687	$	632,430

See accompanying notes to financial statements.

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.

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, 2017 and 2016, an allowance of $15,000, 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 changed their capitalization policy for 2017 and now capitalizes all expenditures in excess of $2,500 for property and equipment at cost. Previously, they had capitalized property and equipment in excess of $1,000. 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, 2017 and 2016 amounted to $12,218 and $12,099 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 June 19, 2018, 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. Management allocates expenses based on the nature and function of the expense to the different functional categories.

Cash, Cash Equivalents, and Restricted Cash: 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. Restricted cash consists of the UST unemployment fund (see note 13).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $411,106 and $315,295 at December 31, 2017 and 2016, respectively. No losses have been recognized by the Organization.

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, 2017 and 2016 donated services and materials to the Organization included the following:

	2017	2016
Donated Maintenance	$ 3,000	$ 3,000
Bank Fees	380	313
Miscellaneous	2,266	587
Totals	$ 5,646	$ 3,900

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 up to 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, 2016, 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, 2017 and 2016.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications: Prior period financial statement amounts have been reclassified to conform to current period presentation.

2. INVESTMENTS

The Organization's investments at December 31, 2017 and 2016 consist of marketable securities stated at fair value as summarized below:

	2017	2016
Mutual Funds	$ 361,092	$ 317,081

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2017 and 2016.

	2017	2016
Interest, Dividends, Cap Gains	$ 35,547	$ 21,246
Beneficial Interest in Assets Held at St Paul Fdn activity, Net of Fees	2,075	747
Unrealized Gains (Losses)	12,173	22,781
Realized Gains (Losses)	(71)	4,489
Less Fees	(2,375)	(2,511)
Totals	$ 47,349	$ 46,752

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $726,483 and $345,000 as of December 31, 2017 and 2016, respectively, consisted of funds received to date for the Expansion Project and Parent Education Program, less the amounts expensed for the specific program. As a result, temporarily restricted net assets increased by $381,483 in 2017.

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 1,928 square feet of office space located in the Washington County Historic Courthouse, Stillwater, Minnesota under 2 separate operating leases. The current leases require a combined monthly payment of $2,008 through December 31, 2017. The Organization renewed the leases for the period January 1, 2018 through December 31, 2018, with a combined monthly payment of $2,260.

4. LEASE COMMITMENTS (continued)

Total rent expense on these leases for the years ended December 31, 2017 and 2016 was $51,602 and $51,100, respectively. Future minimum lease payments under these leases as of December 31, 2017 are:

Year Ending December 31,	Amount
2018	$ 54,935
2019	26,257
	$ 81,192

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, 2017 and 2016 was $12,258 and $11,842, 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, 2017 are as follows:

Balance at December 31, 2016	$ 15,206
Share of appreciation of fund	1,479
Balance at December 31, 2017	$ 16,685

7. CONCENTRATIONS

For the years ended December 31, 2017 and 2016, the Organization received approximately 22% and 25%, respectively, of their total revenue from state, county and local governmental units. A significant reduction in this funding could materially affect the activities of the Organization.

8. LEASING ACTIVITIES

The Organization leased to two tenants under operating leases for office space located at 7065 West Point Douglas Road, Cottage Grove, Minnesota during 2017. In 2017, both leases were renewed. The terms of one lease call for monthly payments of $889 through November 30, 2018 then $915 for December 1, 2018 through November 30, 2019. The other lease calls for monthly payments of $502 through August 31, 2018. 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 $4,598 and $5,516, for the years ended December 31, 2017 and 2016, respectively.

The following is a schedule by years of future minimum rentals under the leases at December 31, 2017:

Year Ending December 31,	Amount
2018	$ 32,708
2019	27,778
	$ 60,486

9. FAIR VALUE OF INVESTMENTS

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.

9. FAIR VALUE OF INVESTMENTS (continued)

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, 2017 and 2016.

Mutual and Index Funds: Values at the daily closing prices as reported by the fund. Mutual and index funds held by the Organization are open-end 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 and index funds held by the Organization are deemed to be actively traded.

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, 2017 and 2016 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)
December 31, 2017			
Mutual Funds			
Index Funds - St. Croix Valley Foundation	$ 73,733	$ 73,733	$ -
Equity Funds	287,359	287,359	-
	$ 361,092	$ 361,092	$ -
Beneficial Interest in Assets Held at St. Paul Foundation	$ 16,685	$ -	$ 16,685
December 31, 2016			
Mutual Funds			
Index Funds – St. Croix Valley Foundation	$ 63,530	$ 63,530	$ -
Equity Funds	253,551	253,551	-
	$ 317,081	$ 317,081	$ -
Beneficial Interest in Assets Held at St. Paul Foundation	$ 15,206	$ -	$ 15,206

9. FAIR VALUE OF INVESTMENTS (continued)

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, 2015	$ 14,576
Share of appreciation of fund	630
Balance at December 31, 2016	$ 15,206
Share of appreciation of fund	1,479
Balance at December 31, 2017	$ 16,685

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, 2017 and 2016:

	2017	2016
Interest and dividends	$ 251	$ 211
Investment gain (loss)	2,138	846
Grants paid	(596)	(617)
Contributions	-	500
Administrative and investment expenses	(314)	(310)
Share of appreciation (depreciation) of fund	$ 1,479	$ 630

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, 2017. 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, 2017 and 2016, the spendable amount from the SCVF matching grant is $2,720 and $2,464, respectively.

12. GRANTS RECEIVABLE

Grants receivable as of December 31, 2017 and 2016 are expected to be realized in one year or less and consist of the following:

	2017	2016
State of Minnesota	$ 12,500	$ 12,500
United Way	36,326	37,772
Private Foundations	75,000	-
Total	$ 123,826	$ 50,272

13. UST UNEMPLOYMENT FUND

The Organization has an unemployment fund with an unemployment management company. The Organization has determined that the contributions to the fund are a restricted cash asset of the Organization as upon severance the fund returns the account balance. Any unemployment claims are paid from this fund. During 2017 and 2016, there were no claims paid from this fund. At December 31, 2017 and 2016 the balance in this fund was $17,159 and $15,951, respectively.