

Youth Service Bureau, Inc.

Financial Statements
December 31, 2022 with Comparative Totals for 2021

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

Opinion

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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Service Bureau, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Service Bureau, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youth Service Bureau, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Service Bureau, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Youth Service Bureau, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foley Kalheim + Company, Ltd.

Lake Elmo, MN
June 22, 2023

YOUTH SERVICE BUREAU, INC.
Statements of Financial Position
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,346,813	\$ 1,186,637
Investments	624,480	654,093
Client fees receivable, net of allowance	9,460	22,764
Other receivables	2,737	-
Grants receivable	24,896	32,659
Prepaid expenses	11,731	14,320
Total current assets	2,020,117	1,910,473
PROPERTY AND EQUIPMENT		
Buildings and improvements	688,701	688,701
Furniture and equipment	64,430	61,706
	753,131	750,407
Less accumulated depreciation	(697,333)	(686,186)
Total property and equipment	55,798	64,221
OTHER ASSETS		
Security deposit	5,267	5,267
UST unemployment fund - restricted cash	20,631	28,402
Operating lease right-of-use asset	132,086	-
Total other assets	157,984	33,669
Total assets	\$ 2,233,899	\$ 2,008,363
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,132	\$ 4,996
Accrued salaries, benefits and payroll taxes	39,309	27,965
Accrued vacation	20,021	24,571
Deferred revenue	65,755	-
Operating lease liability - current portion	67,128	-
Total current liabilities	203,345	57,532
LONG-TERM LIABILITIES		
Operating lease liability	67,358	-
Total long-term liabilities	67,358	-
NET ASSETS		
Without donor restrictions	1,798,140	1,768,799
With donor restrictions	165,056	182,032
Total net assets	1,963,196	1,950,831
Total liabilities and net assets	\$ 2,233,899	\$ 2,008,363

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2022 with Comparative Totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
GRANTS, SUPPORT AND REVENUE				
Client fees, net of insurance adjustments	\$ 218,040	\$ -	\$ 218,040	\$ 299,414
Public support				
Washington County	233,273	-	233,273	259,192
County COVID grant	-	-	-	8,000
School - based contracts	301,586	-	301,586	315,892
Municipalities	60,679	-	60,679	73,165
United Way	45,200	-	45,200	38,499
Private contributions	302,664	40,000	342,664	375,579
In-kind contributions	240	-	240	2,500
Total public support	<u>943,642</u>	<u>40,000</u>	<u>983,642</u>	<u>1,072,827</u>
Other revenue and (expenses)				
Rental income, net	16,730	-	16,730	8,694
Investment income, net of fees	(26,954)	-	(26,954)	64,501
PPP government grant	-	-	-	150,569
CARES relief fund	-	-	-	-
Special events revenue	35,655	-	35,655	18,539
Special events expense	(7,536)	-	(7,536)	(9,356)
Gain (loss) on sale of fixed assets	-	-	-	(188)
Other revenue	(146)	-	(146)	56,112
Total other revenue and (expenses)	<u>17,749</u>	<u>-</u>	<u>17,749</u>	<u>288,871</u>
Net assets released from restrictions	<u>56,976</u>	<u>(56,976)</u>	<u>-</u>	<u>-</u>
Total grants, support and revenue	<u>1,236,407</u>	<u>(16,976)</u>	<u>\$ 1,219,431</u>	<u>1,661,112</u>
EXPENSES				
Program expenses	726,853	-	726,853	781,552
Management and general	424,414	-	424,414	443,635
Fundraising	55,799	-	55,799	46,242
Total expenses	<u>1,207,066</u>	<u>-</u>	<u>1,207,066</u>	<u>1,271,429</u>
Change in net assets	29,341	(16,976)	12,365	389,683
NET ASSETS				
Beginning of year	<u>1,768,799</u>	<u>182,032</u>	<u>1,950,831</u>	<u>1,561,148</u>
End of year	<u>\$ 1,798,140</u>	<u>\$ 165,056</u>	<u>\$ 1,963,196</u>	<u>\$ 1,950,831</u>

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2022 with Comparative Totals for 2021

	Program Services										Supporting Services			Total 2021
	Diversion	Family Counseling	School- Based Services	Youth and			Total Program Services	Management and		Fundraising	Supporting Services	Total 2022		
				Family Education	Military Family	Family Education		General	General					
Salaries	\$ 39,734	\$ 180,478	\$ 241,166	\$ 5,337	\$ 185	\$ 466,900	\$ 272,070	\$ 16,935	\$ 289,005	\$ 755,905	\$ 806,857			
Payroll taxes	3,062	14,321	18,627	410	14	36,434	18,944	1,300	20,244	56,678	60,469			
Benefits	1,987	13,960	23,597	311	8	39,863	46,640	1,034	47,674	87,537	84,033			
Total salaries and related expenses	44,783	208,759	283,390	6,058	207	543,197	337,654	19,269	356,923	900,120	951,359			
Advertising	118	539	719	16	1	1,393	806	50	856	2,249	67			
Bank charges and fees	328	1,441	-	-	-	1,769	770	509	1,279	3,048	3,487			
Computer services and supplies	180	1,800	-	665	-	2,645	11,798	1,095	12,893	15,538	32,959			
Dues and subscriptions	-	449	79	-	-	528	1,494	2,748	4,242	4,770	3,866			
Educational programs	-	68	-	-	-	68	40	204	244	312	1,275			
Insurance	1,070	4,870	6,496	144	5	12,585	7,276	456	7,732	20,317	16,423			
Lawn care and snow removal	-	-	-	-	-	-	-	-	-	-	700			
Meeting expense	-	-	153	-	-	153	443	-	443	596	1,533			
Minnesota care tax	-	2,958	-	-	-	2,958	-	-	-	2,958	3,938			
Miscellaneous	64	292	389	9	-	754	676	27	703	1,457	2,944			
Postage and delivery	47	213	284	6	-	550	319	20	339	889	936			
Printing and reproduction	156	711	948	21	1	1,837	1,062	67	1,129	2,966	7,133			
Professional fees	3,806	28,251	9,605	86	3	41,751	12,957	28,454	41,411	83,162	74,923			
Recognition committee	-	-	-	-	-	-	-	-	-	-	2,423			
Rent	3,574	16,267	21,695	480	17	42,033	24,302	1,523	25,825	67,858	64,773			
Repairs and maintenance	1,039	4,730	6,308	139	5	12,221	7,065	443	7,508	19,729	16,325			
Security	59	269	359	8	-	695	403	25	428	1,123	343			
Staff development	-	2,113	746	1,800	-	4,659	7	-	7	4,666	12,722			
Sliding scale adjustment	-	22,816	-	-	-	22,816	-	-	-	22,816	20,037			
Supplies	253	521	840	-	-	1,614	2,190	-	2,190	3,804	6,812			
Telephone	1,016	4,623	6,165	136	5	11,945	6,906	433	7,339	19,284	17,102			
Travel	60	443	969	32	-	1,504	1,316	42	1,358	2,862	2,762			
Utilities	671	3,054	4,073	90	3	7,891	4,562	286	4,848	12,739	8,254			
Bad debt	-	7,191	-	-	-	7,191	-	-	-	7,191	10,349			
Total expenses before depreciation	57,224	312,378	343,218	9,690	247	722,757	422,046	55,651	477,697	1,200,454	1,263,445			
Depreciation	348	1,585	2,114	47	2	4,096	2,368	148	2,516	6,612	7,984			
Total expenses	\$ 57,572	\$ 313,963	\$ 345,332	\$ 9,737	\$ 249	\$ 726,853	\$ 424,414	\$ 55,799	\$ 480,213	\$ 1,207,066	\$ 1,271,429			

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,365	\$ 389,683
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debts	7,191	10,349
Depreciation	11,148	12,541
Gain (loss) on sale of fixed assets	-	188
Realized and unrealized (gains) and losses	62,089	(38,501)
Reinvested dividends and interest, net of fees	(33,236)	(22,309)
Cash paid for operating lease expense	2,399	-
Changes in operating assets and liabilities:		
Grants receivable	7,763	69,555
Other receivable	(2,737)	-
Client fee receivables	6,113	47,510
Prepaid expenses	2,589	10,765
Accounts payable	6,136	(8,136)
Accrued salaries, benefits and taxes	11,345	(16,017)
Accrued vacation	(4,550)	3,561
Deferred revenue	65,756	(2,500)
Net cash flows from operating activities	154,371	456,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net of sales	760	(2,254)
Purchase of property and equipment	(2,724)	(18,800)
Net cash flows from investing activities	(1,964)	(21,054)
Net change in cash and cash equivalents	152,407	435,635
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	1,215,037	779,402
End of year	\$ 1,367,444	\$ 1,215,037

See accompanying notes to financial statements.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Youth Service Bureau, Inc. (the Organization) is a community supported, nonprofit agency offering professional counseling services, chemical health support, and diversion services to young people and their families. The mission is to help youth and families learn the skills they need to be more successful at home, in school and throughout the community. 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.

Youth-Focused Family Counseling - Individual, family, and group counseling services intended to provide youth, ages 5-25, and their families with affordable, accessible, and effective care. Including chemical health, parenting, teen anxiety and depression, use of e-cigarettes, bullying, cyber-bullying and so much more.

Military Family Support Program - Assists families of deployed service members with respect to mental health. The program provides education, resources, and practical tools that parents and caregivers can use during deployments, and afterward.

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

Chemical and Mental Health School-Based Services – A program to help students stay in school and perform well academically. The Organization partners with schools to provide chemical and mental health clinical services, and education for students, school staff, families, and the local community.

Youth and Family Education – The Organization offers classes, expert speakers, and a newsletter on youth development and related topics, including anxiety and depression, bullying, chemical use and prevention strategies, and social media awareness.

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 nonprofit 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 in accordance with generally accepted accounting principles, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Revenue Recognition: 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.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Organization provides counseling services and bills clients' insurance providers for these services. As a result, any insurance adjustments are netted with client fees on the Statements of Activities and Changes in Net Assets. The amount of insurance adjustments net with client fees was \$69,799 and \$140,654 for the years ended December 31, 2022 and 2021, respectively. The Organization also provides a "sliding fee" adjustment for clients if household income is below certain thresholds. These amounts are reported as a program expenses in the Statements of Functional Expenses.

We have analyzed the provisions of the FASB's ACS Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes are necessary to conform with the new provisions.

Financial Statement Presentation: 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:

Net assets without donor restrictions: Net assets currently available at the discretion of the Board for use in the Organization's operations, and those resources invested in land, buildings and equipment.

Net assets with donor restrictions: Grants and other contributions with explicit donor restrictions which specify how the gifts are to be used, including net assets restricted by donors in perpetuity as endowments or irrevocable trusts. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2022 and 2021, an allowance of \$25,000 and \$20,000, 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.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation: The Organization capitalizes all expenditures in excess of \$2,500 for property and equipment at cost. Prior to 2017, 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 net assets with donor restriction to net assets without donor restriction 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, 2022 and 2021 amounted to \$11,148 and \$12,541 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.

Functional Allocation of Expenses: Expenses by function have been allocated among program and supporting service classifications. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort, as well as depreciation and occupancy which are allocated on a square footage basis. Insurance costs are allocated on the basis of specific type.

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 12).

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 \$538,670 and \$545,777 at December 31, 2022 and 2021, 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.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During the years ended December 31, 2022 and 2021 donated services and materials to the Organization included the following:

	2022	2021
Donated Maintenance	\$ -	\$ 1,750
Contract Services	-	750
Donated Supplies	240	-
Totals	\$ 240	\$ 2,500

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, 2021, from which summarized information was derived.

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

Advertising: Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2022 and 2021 were \$2,249 and \$67, respectively.

New Accounting Standards: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$132,086 and an increase in other current and long-term liabilities of \$134,486.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
(continued)

2. INVESTMENTS

The Organization's investments at December 31, 2022 and 2021 consist of marketable securities stated at fair value as summarized below:

	2022	2021
Mutual Funds	\$ 624,480	\$ 654,093

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2022 and 2021.

	2022	2021
Interest, Dividends, Cap Gains	\$ 39,885	\$ 30,786
Unrealized Gains (Losses)	(62,089)	38,572
Realized Gains (Losses)	-	(71)
Less Fees	(4,750)	(4,786)
Totals	\$ (26,954)	\$ 64,501

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 are available for the following purposes or periods:

	2022	2021
Expansion Campaign	\$ -	\$ 30,000
Youth and Family Education	11,000	11,000
Chemical Health	60,065	60,135
Military Families	22,155	22,407
School-Based Therapy	71,637	54,606
School-Based Mental Health	199	199
Mental Health Improvement	-	3,685
Totals	\$ 165,056	\$ 182,032

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 \$2,700 through November 25, 2024.

The Organization entered into an operating lease at 6120 Oren Avenue North, Stillwater, Minnesota, which began on December 13, 2019. The lease requires a monthly payment of \$2,900 through December 13, 2022, and then increases to monthly payments of \$2,958 through December 13, 2023. The lease calls for an annual 2% increase for 2024.

The following summarizes the line items in the balance sheets which include amounts for operating leases as of December 31, 2022:

Operating lease right-of-use assets	\$ 132,086
Other current liabilities	\$ 67,128
Operating lease liabilities	67,358
Total operating lease liabilities	\$ 134,486

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
(continued)

4. LEASE COMMITMENTS (CONTINUED)

We elected to use the risk free rate as the discount rate for these leases. That rate was 1.26% as reported by the U.S. Treasury as of January 1, 2022.

The maturities of operating lease liabilities as of December 31, 2022 were as follows:

Year Ending December 31,	
2023	\$ 67,894
2024	65,904
Total lease payments	<u>133,798</u>
Plus: difference in actual lease payments vs straight line expense	688
Present value of lease liabilities	<u>\$ 134,486</u>

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, 2022 and 2021 was \$11,317 and \$16,380, respectively.

6. LEASING ACTIVITIES

The Organization leased to two tenants under operating leases for office space located at 7065 West Point Douglas Road, Cottage Grove, Minnesota. Both leases were renewed via an oral agreement in 2022 and as of December 31, 2022, the oral lease was still in place for an undetermined amount of time. The terms of one lease calls for monthly payments of \$2,531 through December 31, 2022. The other lease calls for monthly payments of \$507 through December 31, 2022. 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 \$4,536 and \$4,557, for the years ended December 31, 2022 and 2021, respectively.

7. CONCENTRATIONS

For the years ended December 31, 2022 and 2021 the Organization received approximately 24% and 21%, 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. 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.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
(continued)

8. FAIR VALUE OF INVESTMENTS (CONTINUED)

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, 2022 and 2021.

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.

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021 as follows:

	<u>Fair Value Measurements at Reporting Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
	<u>Fair Value</u>	<u>(Level 1)</u>
<u>December 31, 2022</u>		
Mutual Funds		
Index Funds - St. Croix Valley Foundation	\$ 68,859	\$ 68,859
Equity Funds	<u>555,621</u>	<u>555,621</u>
	<u>\$ 624,480</u>	<u>\$ 624,480</u>
 <u>December 31, 2021</u>		
Mutual Funds		
Index Funds – St. Croix Valley Foundation	\$ 84,684	\$ 84,684
Equity Funds	<u>569,409</u>	<u>569,409</u>
	<u>\$ 654,093</u>	<u>\$ 654,093</u>

9. INCOME TAXES

The Organization has evaluated for uncertain tax positions and management has expressed there are no uncertain tax positions as of December 31, 2022. Tax returns for the past three years remain open for examination by tax jurisdictions.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
For the Year Ended December 31, 2022 with Comparative Totals for 2021
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10. 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, 2022 and 2021, the spendable amount from the SCVF matching grant is \$3,252 and \$1,860 respectively.

11. GRANTS RECEIVABLE

Grants receivable as of December 31, 2022 and 2021 consist of \$24,896 and \$32,659, respectively, to be received in one year or less and consist of the following:

	2022	2021
United Way	\$ 13,587	\$ 1,000
Private Foundations	11,309	31,659
Total	\$ 24,896	\$ 32,659

12. 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 2022 and 2021 there were claims paid in the amount of \$3,415 and \$0 in 2022 and 2021, respectively, from this fund. At December 31, 2022 and 2021 the balance in this fund was \$20,631 and \$28,402, respectively.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

YOUTH SERVICE BUREAU, INC.
Notes to Financial Statements
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(continued)

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	2022	2021
Financial assets at year-end	\$ 2,029,017	\$ 1,924,555
Less those unavailable for general expenditures Within one year, due to:		
Restricted cash – UST fund	20,631	28,402
Donor-restricted for expansion campaign	-	30,000
Donor-restricted for youth and family education	11,000	11,000
Donor-restricted for chemical health	60,065	60,135
Donor-restricted for military families	22,155	22,407
Donor-restricted for school-based therapy	71,637	54,606
Donor-restricted for school-based mental health	199	199
Donor-restricted for mental health improvement	-	3,685
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,843,330	\$ 1,714,121

As part of the Organization's liquidity management, it invests in cash and fixed income securities. The Organization does not have any loan commitments as of December 31, 2022 and 2021, respectively.

14. BOARD RESOLUTIONS

During 2018, the Organization adopted the following resolution:

Capital Structure Guidelines:

- Retain up to 50% of annual operating expense budget in FDIC insured checking and money market accounts readily accessible to meet operating needs; and
- Remaining cash balance will be managed in the following manner:
 - One half in low risk bond investments; and
 - One half in equity income mutual funds

15. ORGANIZATIONAL INFORMATION RELATING TO STATEMENT OF FINANCIAL ACCOUNTING STANDARDS 116

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 116 (SFAS 116) in June, 1993 to establish accounting standards for contributions received by all entities who receive or make contributions. Part of SFAS 116 was to differentiate contribution revenue from earned revenue due to contribution revenue being nonreciprocal and earned revenue being reciprocal (an exchange transaction.) As a result, promises to give are recorded as pledges receivable at fair value when the promise is received, even if the donor restricts the promised contribution to use in a future period, and even if the promise will not be paid until a future period.

YOUTH SERVICE BUREAU, INC.
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16. PAYCHECK PROTECTION PROGRAM

On January 22, 2021, the Organization received loan proceeds of \$150,569, under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA).

During 2021, the Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness on July 26, 2021. They were granted forgiveness for those loans and at that time, the Organization recorded the amount forgiven as forgiveness income within the other revenue and (expenses) section of its statements of activities and change in net assets.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

17. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2023 the date the financial statements were issued.