

Laraway Youth and Family Services, Inc.

FINANCIAL STATEMENTS

June 30, 2010

Laraway Youth and Family Services, Inc.  
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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Laraway Youth and Family Services, Inc.  
Johnson, Vermont

We have audited the accompanying statement of financial position of Laraway Youth and Family Services, Inc., (a non-profit organization) as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laraway Youth and Family Services, Inc. as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit has been made primarily for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

*Kittell Branagan & Sargent*

St. Albans, Vermont  
November 19, 2010

Laraway Youth and Family Services, Inc.  
 STATEMENT OF FINANCIAL POSITION  
 June 30, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 443,211
Accounts receivable (net of allowance of \$ 4,720)	545,750
Current portion of mortgage receivable	1,896
Investments	49,349
TOTAL CURRENT ASSETS	1,040,206

PROPERTY AND EQUIPMENT

Land	3,699
Buildings	228,533
Building improvements	4,727
Equipment	95,863
Vehicles	54,299
Furniture	15,877
Total Property and Equipment	402,998
Accumulated depreciation	(106,112)
TOTAL PROPERTY AND EQUIPMENT, net	296,886

PROJECTS IN PROGRESS

669,079

MORTGAGE RECEIVABLE, Less Current Portion

19,962

TOTAL ASSETS

\$ 2,026,133

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 108,353
Accrued salaries and payroll taxes	98,930
Deferred revenue	55,300
Current portion of long-term debt	22,995
TOTAL CURRENT LIABILITIES	285,578

LONG-TERM DEBT, Less Current Portion

521,147

NET ASSETS

Unrestricted	1,100,939
Temporarily restricted	118,469
TOTAL NET ASSETS	1,219,408

TOTAL LIABILITIES AND NET DEFICIT

\$ 2,026,133

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Tuitions	\$ 980,293	\$ -	\$ 980,293
DCF Foster Care	305,294	-	305,294
Medicaid	4,538,373	-	4,538,373
Client transportation	7,694	-	7,694
Grant revenue	18,056	-	18,056
Other revenue	31,421	115,424	146,845
Interest income	825	-	825
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>5,881,956</b>	<b>115,424</b>	<b>5,997,380</b>
<b>EXPENSES</b>			
Program services:			
Education	2,124,230	-	2,124,230
Residential	383,946	-	383,946
Backpack	988,274	-	988,274
ISB	2,014,451	-	2,014,451
Fundraising	2,699	-	2,699
<b>TOTAL EXPENSES</b>	<b>5,513,600</b>	<b>-</b>	<b>5,513,600</b>
<b>EXCESS OF EXPENSES OVER REVENUE AND OTHER SUPPORT</b>	368,356	115,424	483,780
<b>GAIN ON SALE OF ASSET</b>	230,104	-	230,104
<b>CHANGE IN NET ASSETS</b>	598,460	115,424	713,884
<b>NET ASSETS, beginning of year</b>	502,479	3,045	505,524
<b>NET ASSETS, end of year</b>	<b>\$ 1,100,939</b>	<b>\$ 118,469</b>	<b>\$ 1,219,408</b>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2010

	<u>Program Services</u>				
	<u>Education</u>	<u>Residential</u>	<u>Backpack</u>	<u>ISB</u>	<u>Total</u>
<b>SALARIES AND RELATED EXPENSES</b>					
Salaries	\$ 1,320,942	\$ 102,115	\$ 591,009	\$ 940,150	\$ 2,954,216
Payroll taxes and workers compensation	135,272	11,356	60,912	96,709	304,249
Employee benefits	<u>303,574</u>	<u>22,760</u>	<u>110,977</u>	<u>144,193</u>	<u>581,504</u>
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<u>1,759,788</u>	<u>136,231</u>	<u>762,898</u>	<u>1,181,052</u>	<u>3,839,969</u>
<b>OTHER EXPENSES</b>					
Occupancy	38,223	3,370	9,458	36,750	87,801
Equipment related expense	4,296	425	965	3,129	8,815
Transportation/vehicle	50,032	18,167	23,370	95,136	186,705
Food	51,627	404	56	8,461	60,548
Staff training	6,004	1,496	5,266	6,385	19,151
Academic/professional services	144,760	5,469	167,171	183,617	501,017
Resident/student expense	11,563	211,916	1,360	465,767	690,606
Depreciation	15,794	2,208	1,437	5,242	24,681
Supplies	15,778	910	2,712	6,642	26,042
Administrative expenses	<u>26,365</u>	<u>3,350</u>	<u>13,581</u>	<u>22,270</u>	<u>65,566</u>
<b>TOTAL OTHER EXPENSES</b>	<u>364,442</u>	<u>247,715</u>	<u>225,376</u>	<u>833,399</u>	<u>1,670,932</u>
<b>TOTAL EXPENSES</b>	<u>\$ 2,124,230</u>	<u>\$ 383,946</u>	<u>\$ 988,274</u>	<u>\$ 2,014,451</u>	<u>\$ 5,510,901</u>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 713,884
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	24,681
Gain on sale of asset	(230,104)
Decrease (Increase) in:	
Accounts receivable	(112,261)
Mortgage receivable	(21,858)
Increase (Decrease) in:	
Accounts payable	(100,313)
Accrued salaries and payroll taxes	18,729
Deferred revenue	<u>1,484</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>294,242</u>
 <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Purchases of assets	(904,766)
Removal of assets disposed	(60,344)
Proceeds from sale of assets	<u>394,300</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(570,810)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from new debt	542,000
Principal payments on long-term debt	<u>(183,206)</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>358,794</u>
 <b>NET INCREASE IN CASH</b>	 82,226
 <b>CASH AT BEGINNING OF YEAR</b>	 <u>360,985</u>
 <b>CASH AT END OF YEAR</b>	 <u><u>\$ 443,211</u></u>
 <b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	<u>\$ 20,018</u>
 <b>NON-CASH INVESTING/FINANCING ACTIVITIES:</b>	
Building purchased with loan proceeds	<u>\$ 392,000</u>
Vehicle purchased with loan proceeds	<u>\$ 8,290</u>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Laraway Youth and Family Services, Inc. is a non-profit academic and behavioral services facility located in Johnson, VT.

Programs provided by the Agency during fiscal year 2010 include:

Education Program

The Agency provides education and other treatment services to students in grades K through 12 whose behavioral difficulties preclude their success in mainstream schools.

Foster Care Program

Laraway Youth and Family Services, Inc. operates a foster care program for youth in state custody.

Backpack Program

The Agency provides an off campus program for students in grades K through 12 who behavioral and mental health supports in their public school setting.

ISB Program

Laraway Youth and Family Services, Inc. operate an individualized services budget program for youth in state custody who require a foster care placement and intensive mental health supports.

Cash and Cash Equivalents

Cash and Cash Equivalents consist primarily of petty cash, checking accounts and savings sweep accounts with original maturities of 90 days or less.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. They have been prepared in conformity with the disclosure and display requirements of the Financial Standards Accounting Board (FASB) as set forth in Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, dated June 1993. Accordingly, the net assets of the Laraway Youth and Family Services, Inc. are reported in each of the following three classes: (a) unrestricted net assets (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

The accompanying financial statements have been prepared in conformity with the requirements of the FASB as set forth in SFAS No. 116 *Accounting for Contributions Received and Contributions Made*. Accordingly, Laraway Youth and Family Services, Inc. recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support.

Laraway Youth and Family Services, Inc.  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When a donor 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.

Temporarily Restricted Net Assets

These assets result from contributions and other inflows of assets whose use by Laraway Youth and Family Services, Inc. is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Laraway Youth and Family Services, Inc.. Contributions of long-lived assets or cash used to acquire long-lived assets (property and equipment) are released from time restrictions, if not expressed by donor, over the assets expected useful life. The temporarily restricted net assets represent amounts raised for the purchase and/or rehabilitation of the new facility on Route 15 in Johnson.

Revenue

Revenue from state and other sources is deferred until the related services are provided. Net tuition revenue is reported at the estimated net realizable amounts from students, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued when final settlements are determined.

Third Party Contractual Arrangements

A significant portion of revenue is derived from services to students insured by Medicaid. The corporation receives reimbursement from Medicaid at defined rates for services rendered to students covered by these programs. The difference between the established billing rates and the actual rate of reimbursement is recorded as a reduction in revenue when billed.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or fair market value when received. Betterment's that materially add to the value of related assets or materially extend the useful life of assets are capitalized. Normal building maintenance and minor equipment purchases are included as expenses of the general fund. The Agency capitalizes fixed assets with useful lives of more than one year using the straight-line method over estimated useful lives as follows:

	<u>Years</u>
Buildings and Improvements	10 - 31.5
Vehicles	3 - 5
Equipment and Furniture	5 - 7

Use of Estimates

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

Fair Values of Financial Instruments

Laraway Youth and Family Services, Inc.'s financial instruments, none of which are held for trading purposes, include cash, accounts receivable, investments, and notes payable. Laraway Youth and Family Services, Inc. estimates that the fair value of all financial instruments at June 30, 2010, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position.

Laraway Youth and Family Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Laraway Youth and Family Services, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Expenses

Laraway Youth and Family Services, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various bases.

Grants and Contracts

Support received under contract with the State of Vermont and through various other organizations is recorded as income as Laraway Youth and Family Services, Inc. fulfills its obligations under the contracts.

Advertising

The Agency expenses advertising costs when incurred.

NOTE 2 RETIREMENT PLAN

Laraway Youth and Family Services, Inc. had a Simple IRA plan covering substantially all employees who had earned at least \$5,000 annually during the previous two years. Laraway Youth and Family Services, Inc.'s contribution is 2% of wages earned, paid quarterly. Pension expense under the Simple IRA for the year ended June 30, 2010 is \$11,500.

The Simple IRA plan was replaced with a 401(k) plan at the beginning of 2010. The 401(k) plan covers substantially all employees who have earned at least \$5,000 annually during the previous two years. Laraway Youth and Family Services, Inc.'s contribution is 2% of wages earned. Pension expense under the 401(k) for the year ended June 30, 2010 is \$21,652.

NOTE 3 LONG-TERM DEBT

Chittenden, 4.25% mortgage, due May, 2020 with monthly payments of \$914, with a balloon payment due at maturity, secured by building.	\$	149,603
Chittenden, 4.25% mortgage, due July, 2018 with monthly payments of \$2,388, with a balloon payment due at maturity, secured by building.		382,446
Honda Financing, 7.4% loan, due October, 2012 with monthly payments of \$256, secured by a vehicle		6,353

Laraway Youth and Family Services, Inc.  
 NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended June 30, 2010

NOTE 3 LONG-TERM DEBT (continued)

Honda Financing, 4.9% loan, due December, 2012 with monthly payments of \$180, secured by a vehicle	<u>5,740</u>
	544,142
Less: Current Portion	<u>(22,995)</u>
 TOTAL LONG-TERM DEBT	 <u>\$ 521,147</u>

Maturities of long-term debt are as follows:

2011	\$ 22,995
2012	24,059
2013	22,431
2014	20,737
2015	21,595
Thereafter	<u>432,325</u>
	 <u>\$ 544,142</u>

NOTE 4 LINE OF CREDIT

Laraway has a line of credit agreement with Chittenden Bank in which it may borrow up to a total of \$350,000. This line of credit is secured by corporate assets. Borrowings under this line bear interest at the prime rate. As of June 30, 2010, there was not an outstanding balance under this line of credit.

NOTE 5 NON-CASH TRANSACTIONS

Laraway Youth & Family Services received Federal Commodities for use in food service in the amount of \$1,366 for only the cost of shipping. The value of the commodities received is not included in the food service budget and is not part of food service revenue or expenditures.

NOTE 6 CASH

At June 30, 2010, the carrying amount of cash deposits was \$443,211 and the bank balance was \$397,358. Of the bank balance, \$253,998 was covered by federal deposit insurance and the remaining \$228,076 was uninsured.

Laraway Youth and Family Services, Inc.  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

NOTE 7 MORTGAGE RECEIVABLE

The Organization is due a mortgage from Travis Hill. The mortgage requires principal and interest payments monthly at 5% and matures in April 2020. The amount due the organization at June 30, 2010 is \$21,858.

NOTE 8 RELATED PARTY TRANSACTIONS

A board member of Laraway Youth and Family Services, Inc. is also the executive director of an organization that provides various services for Laraway Youth and Family Services, Inc. The services provided and amounts billed for the year ended June 30, 2010 are as follows: Billing fees – \$250,000, supervision/consultation fees – \$69,250 and psychiatric services – \$27,000.

Laraway Youth and Family Services, Inc. also leases a building from the related organization above. The lease expired on June 30, 2010 and contained a monthly payment of \$750. Laraway Youth and Family Services, Inc. paid the organization \$9,000 under this lease during 2010.

NOTE 9 DISCLOSURE OF SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through November 19, 2010, which is the date this financial statement was available to be issued. All subsequent events requiring recognition as of June 30, 2010, have been incorporated into the financial statements.

On November 9, 2010, Laraway Youth & Family Services borrowed \$2,200,000 from Community National Bank and the Vermont Community Loan Fund. The proceeds of this loan are to be used to payoff the existing mortgages with Chittenden Bank and to finance the construction of their new facility.

Laraway Youth and Family Services, Inc.  
 SCHEDULE OF SUPPORT, REVENUE AND EXPENSES  
 BUDGET TO ACTUAL  
 For the Year Ended June 30, 2010

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE AND OTHER SUPPORT</b>			
Tuitions	\$ 834,744	\$ 980,293	\$ 145,549
DCF Foster Care	343,834	305,294	(38,540)
Medicaid	3,625,701	4,538,373	912,672
Client transportation	6,230	7,694	1,464
Grant revenue	13,899	18,056	4,157
Other revenue	14,278	31,421	17,143
Interest income	-	825	825
	<b>4,838,686</b>	<b>5,881,956</b>	<b>1,043,270</b>
<b>EXPENSES</b>			
Salaries	2,291,261	2,954,216	(662,955)
Payroll related expenses	239,134	304,249	(65,115)
Employee benefits	529,601	581,504	(51,903)
Occupancy	179,164	87,801	91,363
Equipment related expense	5,176	8,815	(3,639)
Transportation/vehicle	146,060	186,705	(40,645)
Food	43,458	60,548	(17,090)
Staff training	29,318	19,151	10,167
Academic/professional services	481,059	501,017	(19,958)
Resident/student expense	798,602	690,606	107,996
Depreciation	21,131	24,681	(3,550)
Supplies	14,870	26,042	(11,172)
Administrative expenses	59,852	65,566	(5,714)
	<b>4,838,686</b>	<b>5,510,901</b>	<b>(672,215)</b>
<b>EXCESS OF EXPENSES OVER REVENUE AND OTHER SUPPORT</b>	<b>\$ -</b>	<b>\$ 371,055</b>	<b>\$ 371,055</b>

See Accountant's Report.