

Laraway Youth and Family Services, Inc.

FINANCIAL STATEMENTS

June 30, 2007

Laraway Youth and Family Services, Inc.
TABLE OF CONTENTS
June 30, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Change in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6
	<u>Schedule</u>
SUPPLEMENTARY INFORMATION	
Schedule of Support, Revenue and Expenses – Budget to Actual	1

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, 2007, 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, 2007, 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 & Sugart

St. Albans, Vermont
October 9, 2007

Laraway Youth and Family Services, Inc.
 STATEMENT OF FINANCIAL POSITION
 June 30, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 20,573
Accounts receivable (net of allowance of \$ 4,720)	250,242
Prepaid expenses	4,388
	4,388

TOTAL CURRENT ASSETS	275,203
----------------------	---------

PROPERTY AND EQUIPMENT

Land	3,700
Buildings	126,037
Building improvements	150,680
Equipment	58,537
Vehicles	74,460
Furniture	17,793
Education	431,207
Accumulated depreciation	(283,664)
	147,543

TOTAL PROPERTY AND EQUIPMENT	147,543
------------------------------	---------

TOTAL ASSETS	\$ 422,746
--------------	------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Cash overdraft	\$ 32,756
Accounts payable	11,308
Accrued salaries and payroll taxes	69,741
Deferred revenue	19,568
Line of credit	70,000
Current portion of long-term debt	6,975
	210,348

TOTAL CURRENT LIABILITIES	210,348
---------------------------	---------

LONG-TERM DEBT, Less Current Portion	189,202
--------------------------------------	---------

NET ASSETS

Unrestricted	23,196
--------------	--------

TOTAL LIABILITIES AND NET DEFICIT	\$ 422,746
-----------------------------------	------------

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, 2007

REVENUE AND OTHER SUPPORT

Tuitions	\$ 735,596
DCF Foster Care	134,140
Medicaid	3,510,275
Client transportation	12,074
Grant revenue	16,061
Other revenue	27,743
Interest income	<u>526</u>

TOTAL REVENUE AND OTHER SUPPORT	<u>4,436,415</u>
----------------------------------------	-------------------------

EXPENSES

Program services -	
Education	1,632,451
Residential	240,577
Backpack	556,078
ISB	<u>1,928,179</u>

TOTAL EXPENSES	<u>4,357,285</u>
-----------------------	-------------------------

CHANGE IN NET ASSETS	79,130
-----------------------------	--------

NET DEFICIT, beginning of year	<u>(55,934)</u>
---------------------------------------	-----------------

NET ASSETS, end of year	<u>\$ 23,196</u>
--------------------------------	-------------------------

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2007

	Program Services				Total
	Day Treatment	Substitute Care	Venture	ISB	
SALARIES AND RELATED EXPENSES					
Salaries	\$ 781,788	\$ 102,039	\$ 217,965	\$ 733,504	\$ 1,835,296
Payroll taxes and workers compensation	85,020	14,311	23,584	88,325	211,240
Employee benefits	193,571	30,775	63,081	124,616	412,043
TOTAL SALARIES AND RELATED EXPENSES	<u>1,060,379</u>	<u>147,125</u>	<u>304,630</u>	<u>946,445</u>	<u>2,458,579</u>
OTHER EXPENSES					
Occupancy	30,768	8,508	3,908	38,805	81,989
Equipment related expense	3,131	727	153	3,035	7,046
Transportation/vehicle	22,964	3,955	4,647	100,542	132,108
Food	34,748	1	1	6,429	41,179
S Education	5,027	212	2,752	14,935	22,926
Academic/professional services	137,384	3,919	57,249	181,332	379,884
R Backpack	41,748	63,361	1,143	587,943	694,195
Medicaid match expense	255,601	-	176,446	18,342	450,389
Depreciation	10,381	6,927	-	2,922	20,230
Supplies	9,630	641	519	2,964	13,754
Administrative expenses	20,690	5,201	4,630	24,485	55,006
TOTAL OTHER EXPENSES	<u>572,072</u>	<u>93,452</u>	<u>251,448</u>	<u>981,734</u>	<u>1,898,706</u>
TOTAL EXPENSES	<u>\$ 1,632,451</u>	<u>\$ 240,577</u>	<u>\$ 556,078</u>	<u>\$ 1,928,179</u>	<u>\$ 4,357,285</u>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc..
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 79,130
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	20,230
Decrease (Increase) in:	
Accounts receivable	30,709
Increase (Decrease) in:	
Cash overdraft	32,756
Accounts payable	(80,920)
Accrued salaries and payroll taxes	10,323
Deferred revenue	<u>17,538</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>109,766</u>
 CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of assets	<u>(23,407)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Net activity on line of credit	(120,000)
Principal payments on long-term debt	<u>(16,362)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(136,362)</u>
 NET DECREASE IN CASH	 (50,003)
 CASH AT BEGINNING OF YEAR	 <u>70,576</u>
 CASH AT END OF YEAR	 <u>\$ 20,573</u>
 SUPPLEMENTAL DISCLOSURES	
Interest paid	<u>\$ 21,848</u>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 2007 include:

Education Program

The Agency provides education and other treatment services to students in grades 6 through 12 whose behavioral difficulties preclude their success in mainstream schools.

Substitute Care Program

Laraway Youth and Family Services, Inc., operates a staffed foster home as well as a varying number of community based foster homes.

ISB Program

Laraway Youth and Family Services began their individualized services budget program during fiscal year 2001 and include child specific funding through Medicaid.

Backpack Program

The Agency provides an off campus program, created in 2006, for students in grades 7 through 12 who are not responding academically and/or behaviorally in the mainstream setting.

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 No. 117, *Financial Statements of Not-for-Profit Organizations*, dated June 1993.

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 on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 allowances when received. A provision for estimated contractual allowances is provided on outstanding student receivables at the balance sheet date.

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 a note payable. Laraway Youth and Family Services, Inc. estimates that the fair value of all financial instruments at June 30, 2007, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position.

Income Taxes

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

Laraway Youth and Family Services, Inc.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. has a Simple IRA plan covering 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, paid quarterly. Pension expense for the year ended June 30, 2007 is \$12,890.

NOTE 3 LONG-TERM DEBT

Chittenden, 6.875% mortgage, due July, 2010 with monthly payments of \$1,687, with a balloon payment due at maturity, secured by building.

\$ 196,177

Less: Current Portion

(6,975)

\$ 189,202

Maturities of long-term debt are as follows:

2007-2008	\$ 6,975
2008-2009	7,470
2009-2010	8,000
2010-2011	<u>173,732</u>
	<u>\$ 196,177</u>

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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 \$300,000. This line of credit is secured by corporate assets. Borrowings under this line bear interest at the prime rate. As of June 30, 2007, there was \$70,000 outstanding 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 \$584 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.

Laraway Youth and Family Services, Inc.
 SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
 BUDGET TO ACTUAL
 For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE AND OTHER SUPPORT			
Tuitions	\$ 657,469	\$ 735,596	\$ 78,127
DCF Foster Care	325,832	134,140	(191,692)
Medicaid	3,021,652	3,510,275	488,623
Client transportation	25,546	12,074	(13,472)
Grant revenue	31,250	16,061	(15,189)
Other revenue	6,425	27,743	21,318
Interest income	-	526	526
	<u>4,068,175</u>	<u>4,436,415</u>	<u>368,240</u>
EXPENSES			
Salaries	1,633,018	1,835,296	(202,278)
Payroll related expenses	171,251	211,240	(39,989)
Employee benefits	437,958	412,043	25,915
Occupancy	64,220	81,989	(17,769)
Equipment related expense	9,524	7,046	2,478
Transportation/vehicle	124,792	132,108	(7,316)
Food	29,845	41,179	(11,334)
Staff training	18,489	22,926	(4,437)
Academic/professional services	405,796	379,884	25,912
Resident/student expense	715,244	694,195	21,049
Medicaid match expense	375,510	450,389	(74,879)
Depreciation	18,705	20,230	(1,525)
Supplies	13,554	13,754	(200)
Administrative expenses	35,320	55,006	(19,686)
	<u>4,053,227</u>	<u>4,357,285</u>	<u>(304,058)</u>
EXCESS OF EXPENSES OVER REVENUE AND OTHER SUPPORT			
	<u>\$ 14,948</u>	<u>\$ 79,130</u>	<u>\$ 64,182</u>

See Accountant's Report.