

Laraway Youth and Family Services, Inc.

FINANCIAL STATEMENTS

June 30, 2008

Laraway Youth and Family Services, Inc.
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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, 2008, 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, 2008, 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 7, 2008

Laraway Youth and Family Services, Inc.
 STATEMENT OF FINANCIAL POSITION
 June 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 77,106
Accounts receivable (net of allowance of \$ 4,720)	301,024
Prepaid expenses	<u>4,388</u>

TOTAL CURRENT ASSETS	<u>382,518</u>
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PROPERTY AND EQUIPMENT

Land	3,699
Buildings	138,216
Building improvements	165,863
Equipment	69,819
Vehicles	101,728
Furniture	<u>17,793</u>
Total Fixed Assets	497,118
Accumulated depreciation	<u>(307,397)</u>

TOTAL PROPERTY AND EQUIPMENT, net	<u>189,721</u>
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TOTAL ASSETS	<u>\$ 572,239</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 65,799
Accrued salaries and payroll taxes	82,992
Deferred revenue	5,223
Line of credit	60,000
Current portion of long-term debt	<u>8,143</u>

TOTAL CURRENT LIABILITIES	<u>222,157</u>
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LONG-TERM DEBT, Less Current Portion	<u>189,891</u>
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NET ASSETS

Unrestricted	<u>160,191</u>
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TOTAL NET ASSETS	<u>160,191</u>
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TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 572,239</u>
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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, 2008

REVENUE AND OTHER SUPPORT

Tuitions	\$ 816,775
DCF Foster Care	268,672
Medicaid	3,606,698
Client transportation	9,681
Grant revenue	21,793
Other revenue	28,362
Interest income	<u>637</u>

TOTAL REVENUE AND OTHER SUPPORT	<u>4,752,618</u>
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EXPENSES

Program services:	
Education	1,804,956
Residential	339,868
Backpack	621,369
ISB	<u>1,849,430</u>

TOTAL EXPENSES	<u>4,615,623</u>
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CHANGE IN NET ASSETS	136,995
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NET ASSETS, beginning of year	<u>23,196</u>
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NET ASSETS, end of year	<u>\$ 160,191</u>
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See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2008

	<u>Program Services</u>				
	<u>Education</u>	<u>Residential</u>	<u>Venture</u>	<u>ISB</u>	<u>Total</u>
SALARIES AND RELATED EXPENSES					
Salaries	\$ 901,067	\$ 101,580	\$ 243,257	\$ 777,686	\$ 2,023,590
Payroll taxes and workers compensation	97,616	13,799	27,506	91,986	230,907
Employee benefits	<u>197,852</u>	<u>36,501</u>	<u>63,224</u>	<u>130,013</u>	<u>427,590</u>
TOTAL SALARIES AND RELATED EXPENSES	<u>1,196,535</u>	<u>151,880</u>	<u>333,987</u>	<u>999,685</u>	<u>2,682,087</u>
OTHER EXPENSES					
Occupancy	31,571	4,895	6,038	42,493	84,997
Equipment related expense	2,557	443	21	2,198	5,219
Transportation/vehicle	26,438	11,961	5,878	87,025	131,302
Food	38,002	52	101	7,113	45,268
Staff training	4,541	1,284	851	12,610	19,286
Academic/professional services	129,333	3,097	58,443	139,911	330,784
Resident/student expense	50,063	153,683	1,108	526,747	731,601
Medicaid match expense	286,864	-	206,445	-	493,309
Depreciation	12,791	7,933	137	2,875	23,736
Supplies	9,831	706	860	3,640	15,037
Administrative expenses	<u>16,430</u>	<u>3,934</u>	<u>7,500</u>	<u>25,133</u>	<u>52,997</u>
TOTAL OTHER EXPENSES	<u>608,421</u>	<u>187,988</u>	<u>287,382</u>	<u>849,745</u>	<u>1,933,536</u>
TOTAL EXPENSES	<u>\$ 1,804,956</u>	<u>\$ 339,868</u>	<u>\$ 621,369</u>	<u>\$ 1,849,430</u>	<u>\$ 4,615,623</u>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 136,995
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	23,736
Gain on sale of asset	
Decrease (Increase) in:	
Accounts receivable	(50,782)
Increase (Decrease) in:	
Cash overdraft	(32,756)
Accounts payable	54,491
Accrued salaries and payroll taxes	13,251
Deferred revenue	<u>(14,345)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>130,590</u>
 CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of assets	<u>(56,331)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Net activity on line of credit	(10,000)
Principal payments on long-term debt	<u>(7,726)</u>
 NET CASH (USED) BY FINANCING ACTIVITIES	 <u>(17,726)</u>
 NET INCREASE IN CASH	 56,533
 CASH AT BEGINNING OF YEAR	 <u>20,573</u>
 CASH AT END OF YEAR	 <u><u>\$ 77,106</u></u>
 SUPPLEMENTAL DISCLOSURES	
Interest paid	<u>\$ 18,497</u>
NON-CASH INVESTING/FINANCING ACTIVITIES:	
Vehicle purchased with loan proceeds	<u><u>\$ 9,580</u></u>

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 2008 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.

Residential Program

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

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.

ISB Program

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

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, 2008

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, 2008, 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, 2008

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, 2008 is \$21,141.

NOTE 3 LONG-TERM DEBT

Chittenden, 6.55% mortgage, due July, 2010 with monthly payments of \$1,687, with a balloon payment due at maturity, secured by building.	\$ 189,476
Honda Financing, 4.9% loan, due December, 2012 with monthly payments of \$180.35	<u>8,559</u> 198,034
Less: Current Portion	<u>(8,143)</u>
	<u>\$ 189,891</u>

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 3 LONG-TERM DEBT(continued)

Maturities of long-term debt are as follows:

2009	\$ 8,143
2010	8,662
2011	9,214
2012	9,802
2013	9,160
Thereafter	<u>153,053</u>
	<u>\$ 198,034</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 \$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, 2008, there was \$60,000 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 \$1,066 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, 2008

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE AND OTHER SUPPORT			
Tuitions	\$ 745,703	\$ 816,775	\$ 71,072
DCF Foster Care	305,658	268,672	(36,986)
Medicaid	3,377,868	3,606,698	228,830
Client transportation	6,048	9,681	3,633
Grant revenue	1,000	21,793	20,793
Other revenue	7,562	28,362	20,800
Interest income	-	637	637
	<u>4,443,839</u>	<u>4,752,618</u>	<u>308,779</u>
EXPENSES			
Salaries	1,806,789	2,023,590	(216,801)
Payroll related expenses	204,926	230,907	(25,981)
Employee benefits	451,317	427,590	23,727
Occupancy	65,588	84,997	(19,409)
Equipment related expense	9,780	5,219	4,561
Transportation/vehicle	124,139	131,302	(7,163)
Food	32,675	45,268	(12,593)
Staff training	21,878	19,286	2,592
Academic/professional services	395,960	330,784	65,176
Resident/student expense	798,558	731,601	66,957
Medicaid match expense	409,850	493,309	(83,459)
Depreciation	16,654	23,736	(7,082)
Supplies	13,961	15,037	(1,076)
Administrative expenses	57,950	52,997	4,953
	<u>4,410,025</u>	<u>4,615,623</u>	<u>(205,598)</u>
EXCESS OF EXPENSES OVER REVENUE AND OTHER SUPPORT	<u>\$ 33,814</u>	<u>\$ 136,995</u>	<u>\$ 103,181</u>

See Accountant's Report.