

Laraway Youth and Family Services, Inc.

FINANCIAL STATEMENTS

June 30, 2009

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, 2009, 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, 2009, 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.



St. Albans, Vermont
November 19, 2009

Laraway Youth and Family Services, Inc.
STATEMENT OF FINANCIAL POSITION
 June 30, 2009

ASSETS

CURRENT ASSETS

| | |
|--|-----------------------|
| Cash and cash equivalents | \$ 360,985 |
| Accounts receivable (net of allowance of \$ 4,720) | 433,489 |
| Prepaid expenses | <u>4,388</u> |
| TOTAL CURRENT ASSETS | <u>798,862</u> |

PROPERTY AND EQUIPMENT

| | |
|--|-----------------------|
| Land | 3,699 |
| Buildings | 202,742 |
| Building improvements | 184,915 |
| Equipment | 73,574 |
| Vehicles | 98,568 |
| Furniture | <u>17,793</u> |
| Total Property and Equipment | <u>581,291</u> |
| Accumulated depreciation | <u>(352,950)</u> |
| TOTAL PROPERTY AND EQUIPMENT, net | <u>228,341</u> |

| | |
|---------------------|----------------------------|
| TOTAL ASSETS | <u>\$ 1,027,203</u> |
|---------------------|----------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|------------------------------------|----------------|
| Cash overdraft | \$ 124,786 |
| Accounts payable | 83,880 |
| Accrued salaries and payroll taxes | 80,201 |
| Deferred revenue | 53,816 |
| Current portion of long-term debt | <u>174,035</u> |

| | |
|----------------------------------|-----------------------|
| TOTAL CURRENT LIABILITIES | <u>516,718</u> |
|----------------------------------|-----------------------|

| | |
|--------------------------------------|---------------------|
| LONG-TERM DEBT, Less Current Portion | <u>4,961</u> |
|--------------------------------------|---------------------|

NET ASSETS

| | |
|------------------------|--------------|
| Unrestricted | 502,479 |
| Temporarily restricted | <u>3,045</u> |

| | |
|-------------------------|-----------------------|
| TOTAL NET ASSETS | <u>505,524</u> |
|-------------------------|-----------------------|

| | |
|--|----------------------------|
| TOTAL LIABILITIES AND NET DEFICIT | <u>\$ 1,027,203</u> |
|--|----------------------------|

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, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Tuitions | \$ 915,777 | \$ - | \$ 915,777 |
| DCF Foster Care | 372,416 | - | 372,416 |
| Medicaid | 4,517,167 | - | 4,517,167 |
| Client transportation | 6,863 | - | 6,863 |
| Grant revenue | 22,893 | - | 22,893 |
| Other revenue | 28,617 | 3,045 | 31,662 |
| Interest income | <u>489</u> | <u>-</u> | <u>489</u> |
| | | | |
| TOTAL REVENUE AND OTHER SUPPORT | <u>5,864,222</u> | <u>3,045</u> | <u>5,867,267</u> |
| | | | |
| EXPENSES | | | |
| Program services: | | | |
| Education | 2,027,585 | - | 2,027,585 |
| Residential | 426,997 | - | 426,997 |
| Backpack | 1,184,259 | - | 1,184,259 |
| ISB | 1,873,998 | - | 1,873,998 |
| Fundraising | <u>7,619</u> | <u>-</u> | <u>7,619</u> |
| | | | |
| TOTAL EXPENSES | <u>5,520,458</u> | <u>-</u> | <u>5,520,458</u> |
| | | | |
| EXCESS OF EXPENSES OVER REVENUE AND OTHER SUPPORT | 343,764 | 3,045 | 346,809 |
| | | | |
| GAIN (LOSS) ON SALE OF ASSET | <u>(1,476)</u> | <u>-</u> | <u>(1,476)</u> |
| | | | |
| CHANGE IN NET ASSETS | 342,288 | 3,045 | 345,333 |
| | | | |
| NET ASSETS, beginning of year | <u>160,191</u> | <u>-</u> | <u>160,191</u> |
| | | | |
| NET ASSETS, end of year | <u>\$ 502,479</u> | <u>\$ 3,045</u> | <u>\$ 505,524</u> |

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

| | Program Services | | | | |
|--|---------------------|-------------------|---------------------|---------------------|---------------------|
| | Education | Residential | Backpack | ISB | Total |
| SALARIES AND RELATED EXPENSES | | | | | |
| Salaries | \$ 1,090,976 | \$ 106,440 | \$ 464,394 | \$ 851,912 | \$ 2,513,722 |
| Payroll taxes and workers compensation | 101,393 | 10,572 | 46,399 | 85,228 | 243,592 |
| Employee benefits | 263,325 | 35,744 | 94,774 | 136,784 | 530,627 |
| TOTAL SALARIES AND RELATED EXPENSES | <u>1,455,694</u> | <u>152,756</u> | <u>605,567</u> | <u>1,073,924</u> | <u>3,287,941</u> |
| OTHER EXPENSES | | | | | |
| Occupancy | 30,681 | 2,283 | 5,626 | 43,157 | 81,747 |
| Equipment related expense | 3,908 | 550 | 477 | 3,463 | 8,398 |
| Transportation/vehicle | 33,042 | 21,760 | 16,684 | 85,146 | 156,632 |
| Food | 47,457 | 217 | 124 | 8,893 | 56,691 |
| Staff training | 10,761 | 2,872 | 4,583 | 3,511 | 21,727 |
| Academic/professional services | 114,389 | 7,041 | 129,591 | 202,859 | 453,880 |
| Resident/student expense | 12,105 | 224,859 | 1,049 | 413,012 | 651,025 |
| Medicaid match expense | 266,741 | - | 407,574 | - | 674,315 |
| Depreciation | 25,767 | 9,374 | 739 | 12,230 | 48,110 |
| Supplies | 9,074 | 743 | 1,718 | 4,835 | 16,370 |
| Administrative expenses | 17,966 | 4,542 | 10,527 | 22,968 | 56,003 |
| TOTAL OTHER EXPENSES | <u>571,891</u> | <u>274,241</u> | <u>578,692</u> | <u>800,074</u> | <u>2,224,898</u> |
| TOTAL EXPENSES | <u>\$ 2,027,585</u> | <u>\$ 426,997</u> | <u>\$ 1,184,259</u> | <u>\$ 1,873,998</u> | <u>\$ 5,512,839</u> |

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 345,333 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 48,110 |
| Loss on sale of asset | 1,476 |
| Decrease (Increase) in: | |
| Accounts receivable | (132,465) |
| Increase (Decrease) in: | |
| Cash overdraft | 124,786 |
| Accounts payable | 18,081 |
| Accrued salaries and payroll taxes | (2,791) |
| Deferred revenue | <u>48,593</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>451,123</u> |
| CASH FLOWS USED IN INVESTING ACTIVITIES | |
| Purchases of assets | (96,956) |
| Proceeds from sale of asset | <u>8,750</u> |
| NET CASH (USED) BY INVESTING ACTIVITIES | <u>(88,206)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Net activity on line of credit | (60,000) |
| Principal payments on long-term debt | <u>(19,038)</u> |
| NET CASH (USED) BY FINANCING ACTIVITIES | <u>(79,038)</u> |
| NET INCREASE IN CASH | 283,879 |
| CASH AT BEGINNING OF YEAR | <u>77,106</u> |
| CASH AT END OF YEAR | <u>\$ 360,985</u> |
| SUPPLEMENTAL DISCLOSURES | |
| Interest paid | <u>\$ 12,718</u> |

See Notes to Financial Statements.

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 2009 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 (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. 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.

Laraway Youth and Family Services, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2009, 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, 2009

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. 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, 2009 is \$23,186.

NOTE 3 LONG-TERM DEBT

| | |
|---|---|
| Chittenden, 4.25% mortgage, due July, 2018 with monthly payments of \$1,338, with a balloon payment due at maturity, secured by building. | \$ 172,168 |
| Honda Financing, 4.9% loan, due December, 2012 with monthly payments of \$180.35 | <div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">6,828</div> |
| Less: Current Portion | <div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">178,996</div> <div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">(174,035)</div> |
| | <div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">\$ 4,961</div> |

Maturities of long-term debt are as follows:

| | | |
|------|--|---|
| 2010 | | \$ 174,035 |
| 2011 | | <div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">4,961</div> |
| | | <div style="border-top: 1px solid black; display: inline-block; width: 100px; margin-left: auto;">\$ 178,996</div> |

Laraway Youth and Family Services, Inc.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

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, 2009, 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 \$1,274 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, 2009, the carrying amount of cash deposits was \$360,985 and the bank balance was \$397,358. Of the bank balance, \$254,078 was covered by federal deposit insurance and the remaining \$143,280 was uninsured.

NOTE 7 **SUBSEQUENT EVENTS**

On August 12, 2009, Laraway Youth & Family Services sold their property known as the Clay Hill House for \$165,000. The proceeds of this sale were used to payoff the mortgage with Chittenden Bank described in NOTE 3.

On August 13, 2009, Laraway Youth & Family Services purchased a piece of property at 275 US Route 15 for \$499,000 plus fees. A mortgage on this property was obtained with Chittenden Bank in the amount of \$392,000.

NOTE 8 **DISCLOSURE OF SUBSEQUENT EVENTS**

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through November 17, 2009, which is the date this financial statement was issued. All subsequent events requiring recognition as of November 17, 2009, have been incorporated into the financial statements.

Laraway Youth and Family Services, Inc.
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
BUDGET TO ACTUAL
For the Year Ended June 30, 2009

Schedule 1

| | Budget | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|--|
| REVENUE AND OTHER SUPPORT | | | |
| Tuitions | \$ 814,969 | \$ 915,777 | \$ 100,808 |
| DCF Foster Care | 351,507 | 372,416 | 20,909 |
| Medicaid | 3,567,022 | 4,517,167 | 950,145 |
| Client transportation | 6,230 | 6,863 | 633 |
| Grant revenue | 13,462 | 22,893 | 9,431 |
| Other revenue | 13,910 | 28,617 | 14,707 |
| Interest income | - | 489 | 489 |
| | <u>4,767,100</u> | <u>5,864,222</u> | <u>1,097,122</u> |
| TOTAL REVENUE AND OTHER SUPPORT | | | |
| EXPENSES | | | |
| Salaries | 2,000,733 | 2,513,722 | (512,989) |
| Payroll related expenses | 220,762 | 243,592 | (22,830) |
| Employee benefits | 514,591 | 530,627 | (16,036) |
| Occupancy | 75,501 | 81,747 | (6,246) |
| Equipment related expense | 10,708 | 8,398 | 2,310 |
| Transportation/vehicle | 131,221 | 156,632 | (25,411) |
| Food | 43,592 | 56,691 | (13,099) |
| Staff training | 22,725 | 21,727 | 998 |
| Academic/professional services | 425,900 | 453,880 | (27,980) |
| Resident/student expense | 798,051 | 651,025 | 147,026 |
| Medicaid match expense | 447,586 | 674,315 | (226,729) |
| Depreciation | 19,305 | 48,110 | (28,805) |
| Supplies | 14,867 | 16,370 | (1,503) |
| Administrative expenses | 51,061 | 56,003 | (4,942) |
| | <u>4,776,603</u> | <u>5,512,839</u> | <u>(736,236)</u> |
| TOTAL EXPENSES | | | |
| EXCESS OF EXPENSES OVER REVENUE AND OTHER SUPPORT | | | |
| | <u>\$ (9,503)</u> | <u>\$ 351,383</u> | <u>\$ 360,886</u> |

See Accountant's Report.