NORTHEAST YOUTH AND FAMILY SERVICES

REPORT ON AUDIT

JUNE 30, 2021

LETHERT, SKWIRA, SCHULTZ & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS ◆ BUSINESS CONSULTANTS
Helping Business Conduct Business Since 1918

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northeast Youth and Family Services

We have audited the accompanying financial statements of **Northeast Youth and Family Services** (a nonprofit organization), which comprise the statement of financial position as of **June 30, 2021**, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northeast Youth and Family Services** as of **June 30, 2021**, 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.

Report on Summarized Comparative Information

We have previously audited **Northeast Youth and Family Services** 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated September 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 3, 2022

Lethert Skwira Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

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Statements of Financial Position

June 30, 2021 and 2020

ASSETS		2021		2020
Current Assets				
Cash and equivalents	$	**797,290**	$	255,388
Certificates of deposit		**-**		144,768
Accounts receivable, net of allowance for doubtful accounts, **2021**, **$33,305** and 2020, $100,148 (Note 6)		**57,180**		180,083
Grants receivable		**125,780**		155,495
Rent receivable		**-**		1,135
Prepayments		**69,449**		53,529
Total Current Assets		**1,049,699**		790,398
Property and Equipment				
Land		**480,000**		480,000
Building and improvements		**5,401,878**		5,401,878
Furniture and equipment		**14,339**		14,339
Total		**5,896,217**		5,896,217
Less: Accumulated depreciation		**2,526,584**		2,380,075
Net Property and Equipment		**3,369,633**		3,516,142
Other Assets				
Long-term investments (Notes 4 and 5)		**283,950**		202,319
Intangible assets, net (Note 7)		**2,644**		5,817
Total Other Assets		**286,594**		208,136
TOTAL ASSETS	**$**	**4,705,926**	$	4,514,676

The accompanying notes are an integral part of this financial statement.

Statements of Financial Position

June 30, 2021 and 2020

LIABILITIES AND NET ASSETS		**2021**		2020
Current Liabilities				
Current maturities of long-term debt	**$**	**110,200**	$	103,400
Line of credit (Note 9)		**-**		30,000
Accounts payable		**37,016**		16,879
Accrued payroll and payroll taxes		**61,319**		77,904
Accrued vacation		**132,175**		134,246
Accrued expenses		**11,857**		29,592
Other current liabilities		**8,975**		8,975
Deferred revenue		**271,027**		171,482
Total Current Liabilities		**632,569**		572,478
Long-Term Debt (Note 10)				
Long-term debt, net of current maturities		**3,021,712**		3,019,996
Net Assets				
Without donor restrictions:				
Without donor restrictions		**894,671**		780,228
Board Designated for future endowment		**17,500**		17,500
Board Designated for building reserve		**124,474**		124,474
Total without donor restrictions		**1,036,645**		922,202
With donor restrictions (Note 12)		**15,000**		-
Net Assets		**1,051,645**		922,202
TOTAL LIABILITIES AND NET ASSETS	**$**	**4,705,926**	$	4,514,676

Statements of Activities and Changes in Net Assets

For the Year Ended **June 30, 2021**
(with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Support and Revenue				
Support				
Grants	**$ 720,477**	**$ -**	**$ 720,477**	$ 73,210
Contributions	**86,405**	**15,000**	**101,405**	109,150
Special events	**16,380**	**-**	**16,380**	53,920
Revenue				
Program service fees	**1,726,942**	**-**	**1,726,942**	2,100,327
Rental income	**426,097**	**-**	**426,097**	448,031
Investment income (loss)	**57,597**	**-**	**57,597**	(1,608)
Miscellaneous	**3,066**	**-**	**3,066**	6,075
Total Support and Revenue	**3,036,964**	**15,000**	**3,051,964**	2,789,105
Expenses				
Program Services				
Mental health	**1,808,070**	**-**	**1,808,070**	2,468,138
Community services	**192,396**	**-**	**192,396**	388,275
Total Program Services	**2,000,466**	**-**	**2,000,466**	2,856,413
Supporting Services				
Management and general	**509,142**	**-**	**509,142**	209,745
Fundraising	**102,866**	**-**	**102,866**	170,014
Building rental expense	**310,047**	**-**	**310,047**	145,164
Total Supporting Services	**922,055**	**-**	**922,055**	524,923
Total Expenses	**2,922,521**	**-**	**2,922,521**	3,381,336
Increase (Decrease) in Net Assets	**114,443**	**15,000**	**129,443**	(592,231)
Net Assets, Beginning of Year	**922,202**	**-**	**922,202**	1,514,433
Net Assets, End of Year	**$ 1,036,645**	**$ 15,000**	**$ 1,051,645**	$ 922,202

NORTHEAST YOUTH AND FAMILY SERVICES

Statements of Functional Expenses

For the Year Ended **June 30, 2021**
(with comparative totals for 2020)

	2021							2020
	PROGRAM SERVICES			SUPPORTING SERVICES				
	Mental Health	Community Services	Total	Management and General	Fundraising	Building Rental Expense	Total	Total
Salaries and benefits	$ 1,340,435	$ 140,163	$ 1,480,598	$ 386,711	$ 61,770	$ 47,721	$ 1,976,800	$ 2,515,074
Contracted services	136,163	28,653	164,816	46,497	5,430	2,309	219,052	195,051
Program supplies	2,423	192	2,615	-	-	-	2,615	7,196
Internet	4,494	1,534	6,028	10,827	212	71	17,138	-
Occupancy costs	162,182	3,858	166,040	16,667	-	174,181	356,888	322,295
Information Technology & Equipment	44,442	2,524	46,966	22,269	864	562	70,661	42,307
Travel	1,196	67	1,263	77	-	-	1,340	10,073
Operating expenses	41,482	10,792	52,274	11,746	15,146	9,917	89,083	106,106
Interest expense	-	-	-	542	-	-	542	6,312
Advertising	914	1,645	2,559	2,384	18,037	-	22,980	3,967
Dues and memberships	8,677	1,091	9,768	7,668	450	70	17,956	16,849
Special events	-	-	-	-	957	-	957	5,415
Total Expenses Before Depreciation	1,742,408	190,519	1,932,927	505,388	102,866	234,831	2,776,012	3,230,645
Depreciation	65,662	1,877	67,539	3,754	-	75,216	146,509	150,691
Total Expenses	$ 1,808,070	$ 192,396	$ 2,000,466	$ 509,142	$ 102,866	$ 310,047	$ 2,922,521	$ 3,381,336
% to total excluding building rental expense	69 %	7 %	65 %	19 %	4 %	12 %	100 %	
% to total including building rental expense	62 %	7 %	68 %	17 %	4 %	11 %	100 %	

The accompanying notes are an integral part of this financial statement.

NORTHEAST YOUTH AND FAMILY SERVICES

Statements of Cash Flows

For the Years Ended **June 30, 2021** and 2020

Cash Flows From Operating Activities	**2021**	2020
Increase (decrease) in net assets	**$ 129,443**	$ (592,231)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	**146,509**	147,518
Amortization	**3,173**	3,173
Amortization of debt issuance costs	**3,236**	3,236
Forgiveness of PPP loan	**(492,100)**	-
Unrealized (gain) loss on Investments	**(49,116)**	853
Increase (decrease) in cash flows from:		
Accounts receivable	**122,903**	(68,306)
Grants receivable	**29,715**	(56,986)
Rent receivable	**1,135**	31,341
Prepayments	**(15,920)**	(3,186)
Accounts payable	**20,137**	7,230
Accrued payroll and payroll taxes	**(16,585)**	31,820
Accrued vacation	**(2,071)**	(1,787)
Accrued expenses	**(17,735)**	18,198
Other current liabilities	**-**	1,424
Deferred revenue	**99,545**	15,270
Net Cash Used by Operating Activities	**(37,731)**	(462,433)
Cash Flows From Investing Activities		
Purchase of investments	**(32,515)**	-
Purchase of property and equipment	**-**	(34,583)
Net Cash Used by Investing Activities	**(32,515)**	(34,583)
Cash Flows From Financing Activities		
Payments on line of credit	**(30,000)**	-
Proceeds from long-term debt	**580,676**	492,100
Payments of long-term debt	**(83,296)**	(71,598)
Change in certificates of deposit	**144,768**	-
Net Cash Provided by Financing Activities	**612,148**	450,502
Net Increase (Decrease) in Cash and Equivalents	**541,902**	(46,514)
Cash and Equivalents, Beginning of Year	**255,388**	301,902
Cash and Equivalents, End of Year	**$ 797,290**	$ 255,388

Supplemental Disclosures of Cash Flows Information

	2021	2020
Cash Paid During the Year for:		
Interest	**$ 102,672**	$ 66,808

The accompanying notes are an integral part of this financial statement.

NOTE 1 NATURE OF ACTIVITIES

Northeast Youth & Family Services (NYFS or Organization) is a private, non-profit organization under IRC Section 501(c)(3) committed to preparing youth and families for healthy lives. Services of the Organization include:

Mental Health Programs

Outpatient Clinics: Our licensed mental health professionals serve youth, adults, and families from diverse cultures, ethnicities, and life experiences. We offer individual, family and couples counseling services. Common concerns of our clients include relationship problems, parenting issues, problems in school, depression, anxiety, and problems with anger and/or attention. Our clients' ages can range from 3 to 103. We do thorough assessments and always consider the strengths of the individual and the amount of support in their environment. Treatment plans are developed collaboratively between the client and the therapist to be meet their needs. Treatment always considers the strengths of the client and their support system.

School-Based Therapy: NYFS provides mental health counseling and support to students and their families in 15 school buildings throughout the Mounds View, Roseville, and White Bear Lake area school districts. Many of the youth we serve are not able to access traditional clinic-based services and would not receive help without this program. NYFS therapists are also able to work with teachers and other support professionals to coordinate a high level of care for the student. Services provided include diagnostic assessments, individual therapy, family therapy, psychiatry, support groups, training and presentations, and academic support via the student's school support team.

Day Treatment Program: Northeast Therapeutic Services (NETS) includes on-site, half-day therapeutic support to middle and high school youth who are struggling with mental health symptoms that negatively affect their daily functioning. Youth enroll in an in-person, three-hour program at NYFS' Shoreview office Monday through Friday.

Community Services Programs

Community Case Management: This program serves people who have been involved with local law enforcement but have needs that cannot be sufficiently addressed by law enforcement alone. This can include mental health issues, family instability, medical care, and other needs. Addressing these underlying issues reduces the need for law enforcement intervention in the future. NYFS Community Case Management collaborates with the Mounds View, New Brighton, Roseville, St. Anthony, and White Bear Lake police departments to serve their residents.

Senior Chore: Helps any person that is 60 years old and lives within Arden Hills, Birchwood Village, Falcon Heights, Hugo, Little Canada, Mahtomedi, Mounds View, New Brighton, North Oaks, Roseville, Shoreview, St. Anthony, Vadnais Heights, White Bear Lake and White Bear Township to live independently and safely in their homes for as long as possible. The program pairs youth or adult workers with seniors that need indoor or outdoor chore services. The program is funded in part by the Older Americans Act grant through Metropolitan Area Agency on Aging.

NOTE 1 NATURE OF ACTIVITIES (CONTINUED)

Community Services Programs (Continued)

Youth Diversion: Youth who are charged with misdemeanor and status offenses such as theft and alcohol or drug use can use this program as an alternative to the traditional juvenile justice system to rebuild their lives and get back on track. Youth attend educational seminars with their parents, perform community service, and pay restitution.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Summarized Financial Information

The financial information shown in the totals column as of June 30, 2020, and for the year then ended, is presented for comparative purposes only and is not intended to be a complete financial statement presentation. Data in these columns are not intended to present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the **Northeast Youth and Family Services** financial statements for the year ended June 30, 2020, from which the summarized information is derived.

The Organization follows standards for external financial reporting by not-for-profit organizations that requires resources be classified for accounting and reporting purposes into two net asset categories according to donor imposed restrictions. A description of the two net asset categories are as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions into an investment account for the purpose of future financing its mission.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions.

See Note 12 for more information on the composition of net assets with donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES (CONTINUED)

Accounting 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES (CONTINUED)

Support and Revenue Recognition

The Organization receives funds through various support and revenue streams. These are identified as Program Service Fees, Support, and Rental Income. In relation to Program Service Fees, The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective July 1, 2020. Topic 606 was adopted on a modified retrospective basis, and the Organization determined that there was no cumulative effect to net assets as of July 1, 2020, that was required to be disclosed as a result of adopting the standard. Programs Service Fees consist of grant contracts with various governmental entities and municipalities which supplement existing exchange transactions, and the revenue collected from the individual clients who receive the services attached to the existing exchange transactions. The services provided by the Organization have no fixed duration and can be terminated by the patient at any time, and therefore each service is its own stand-alone contract.

Services provided within each program are not separately identifiable and therefore have been combined into a single performance obligation for each contract. The Organization recognizes revenue as its performance obligations are completed. The performance obligations are satisfied at a point in time as the customer simultaneously receives and consumes the benefits of the services provided in half hour increments. Typically, customers and third-party payors are billed within several days of the service being performed and payments are due upon receipt of the invoice. Funds received from various government and municipal grant contracts are billed yearly, quarterly, and monthly and are recognized evenly over the course of the grants due to the unpredictable nature of the volume of services provided.

All performance obligations related to the contracts have a duration of one year or less, and therefore the Organization elected the optional exemption in Accounting Standards Codification (ASC) 606-10-50-14(a). Therefore the Organization is not required to disclose the transaction price for the remaining performance obligations at the end of the reporting period or when the Organization expects to recognize the revenue.

As the period of time between the time of service and time of payment is typically one year or less, the Organization elected the practical expedient under ASC 606-10-32-18 and did not adjust for the effects of a significant financing component.

Funds received that are not related to an existing exchange transaction, are considered contributions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES (CONTINUED)

Support and Revenue Recognition (continued)

The Organization uses the allowance method to determine uncollectible contributions and grants. The allowance is based on prior years' experience and management's analysis of the outstanding receivables. There was no allowance for pledges or grants for the years ended **June 30, 2021** and 2020.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third party payers. Management reviews receivables by payer class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision. The Organization does not charge interest on past due accounts receivable. For the years ended **June 30, 2021** and 2020, the Organization had allowance for bad debts of **$33,305** and $100,148, respectively.

The Organization leases commercial real estate under operating leases, generally due on a monthly basis with terms ranging upwards of 5 years, which are recorded as rental income. Rental income is recognized in accordance with ASC, Topic 840, Leases, using a method that represents a straight-line basis over the term of the lease. In situations where a lease incentive, such as tenant allowance, is provided, the incentive is recognized as a reduction of lease revenue on a straight-line basis over the reasonably assured lease term (See Note 11).

Certificates of Deposit

Certificates of deposit (CD) are stated at cost. The CDs at **June 30, 2021** and 2020, totaled **$0** and $144,768, respectively, and are Board designated for future endowment purpose, building reserve, and general operations.

Realized and unrealized gains and losses are included in investment income (loss) in the Statements of Activities and Changes in Net Assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for the acquisition of property and equipment greater than $500 are capitalized at cost and donated property and equipment is capitalized at fair value. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	39 Years
Furniture and equipment	5-10 Years

Maintenance and repairs of property and equipment are charged to operations, and major renewals are capitalized.

Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated deprecation are eliminated from the accounts, and any resulting gain or loss is included in other income.

Depreciation expense for the years ended **June 30, 2021** and 2020 was **$146,509** and $147,518, respectively.

Intangible Assets

Intangible assets consist of costs associated with locating tenants. The assets are being amortized using the straight-line method over the term of the asset (See Note 7).

Contributed Property and Services

In accordance with Accounting for Contributions Received and Contributions Made, donated services are recognized as contributions if the services (a) create or enhance non-financial assets; or, (b) require specialized skills, as performed by people with those skills, and would otherwise be purchased by the Organization. Property, services, and other noncash donations are recorded as in-kind contributions at their estimated fair market value at the date of the donation.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES (CONTINUED)

Income Taxes

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. Debt financed rental activities are unrelated business income subject to corporate income tax rates..

The Organization follows the income tax standard for uncertain tax positions. No liability has been recognized by the Organization as a result of this standard.

Functional Expense Allocation

Expenses are charged to program services based on direct expenditures incurred. Certain costs relating to salary, employee benefits, payroll taxes, and occupancy have been allocated using the indirect method, based on percentage of time spent by management and employees on program activities, determined by management.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled **$22,980** and $3,967 for the years ended **June 30, 2021** and 2020, respectively.

Compensated Absences

Under the Organization's policies and procedures, employees are granted vacation leave based on the number of years experience they have at the Organization. Employees may accumulate their annual vacation leave benefit throughout the calendar year with a maximum carry over of 80 hours on December 31. Unused accumulated vacation is paid to the employee upon termination.

Employees are able to earn and accumulate sick leave up to a maximum of ninety (90) days. Upon separation, full-time employees with ten or more years of service are entitled to 50 percent of their accumulated sick leave, but in no event will such severance exceed one month's pay.

Debt Issuance Costs

Debt issuance cost are presented as a direct deduction from the face amount of the debt on the balance sheet. Amortization of debt issuance costs is included with interest expense in the Statement of Activities and Changes in Net Assets.

Reclassifications

Certain accounts in the 2020 financial statements have been reclassified to conform with the current year financial statement presentation. The reclassifications had no effect on previously reported net assets and increase (decrease) in net assets for the year ended June 30, 2020.

NOTE 3 CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 4 INVESTMENTS

As of **June 30, 2021** and 2020, the Company held investments as follows:

	2021			2020		
	Cost	**Market Value**	**Unrealized Gains**	Cost	Market Value	Unrealized Losses
Investments	**$ 241,522**	**$ 283,950**	**$ 42,428**	$ 209,610	$ 202,319	$ (7,291)

Investment income (loss) consisted of the following at June 30:

	2021	2020
Interest and dividends	**$ 8,481**	$ 10,966
Loss on sale of investments	**-**	8,330
Unrealized gain (loss) on investments	**49,116**	(20,904)
Total Investment Income (Loss)	**$ 57,597**	$ (1,608)

NOTE 5 FAIR VALUE MEASUREMENTS

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 market 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 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 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 **June 30, 2021** and 2020.

Level 1 Fair Value Measurements

The fair value of equities, exchange traded funds, and mutual funds is based on quoted net assets values of the shares held by the Organization at year-end.

The Organization's investments are reported at fair value in the accompanying Statements of Financial Position.

June 30, 2021	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	**$ 10,273**	**$ 10,273**
Exchange traded funds	**61,439**	**61,439**
Equities	**212,238**	**212,238**
Total	**$ 283,950**	**$ 283,950**
June 30, 2020		
Mutual Funds	$ 7,783	$ 7,783
Exchange traded funds	42,709	42,709
Equities	151,827	151,827
Total	$ 202,319	$ 202,319

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

	2021	2020
Accounts receivable, Mental Health Services	**$ 46,850**	$ 75,559
Allowance for doubtful accounts and contractual adjustments	**(18,254)**	(29,481)
	28,596	46,078
Accounts receivable, School Based	**21,505**	53,423
Allowance for doubtful accounts and contractual adjustments	**(8,378)**	(20,844)
	13,127	32,579
Accounts receivable, NET Services	**22,130**	151,249
Allowance for doubtful accounts and contractual adjustments	**(6,673)**	(49,823)
	15,457	101,426
Total Accounts Receivable, Net of Allowance for Doubtful Accounts and Contractual Adjustments	**$ 57,180**	$ 180,083

NOTE 7 **INTANGIBLE ASSETS**

At **June 30, 2021** and 2020, intangible assets consist of the following:

	2021			2020		
	Cost	**Accumulated Amortization**	**Net Value**	Cost	Accumulated Amortization	Net Value
Leasing costs	**$ 15,865**	**$ 13,221**	**$ 2,644**	$ 15,865	$ 10,048	$ 5,817

Amortization of intangible assets for the years ended **June 30, 2021** and 2020, was **$3,173** and $3,173, respectively.

The aggregate annual amortization of intangible assets at **June 30, 2021**, is:

Year Ended June 30,	**Amount**
2022	$ 2,644

NOTE 8 **THIRD PARTY RATE ADJUSTMENTS**

Client service revenue, included in program service fees, was derived under federal and state third party reimbursement programs along with other third party insurance companies that pay less than 100 percent of the Organization's fee. The Organization is contractually obligated to write-off the remaining amount. The Organization also provides mental health services on a sliding fee basis for individuals who do not have insurance and can not afford to pay the full cost of therapy.

Approximately thirty percent of Mental Health, School Based, and Day Treatment Services charges are contractual adjustments as a result of the reimbursement rates paid by insurance companies.

NOTE 9 **LINE OF CREDIT**

The Organization had a revolving credit line available from Peoples Bank for $200,000, which matured April, 2021. The credit line bore interest at a base rate plus 1.50 percent **(4.75% at June 30, 2020)** and was secured by an agreement on the assets of the Organization.

The outstanding balance at **June 30, 2021** and 2020, was **$0** and $30,000, respectively.

NOTE 10 LONG-TERM DEBT

Long-term debt consists of the following as June 30:

	2021	2020
PPP 2 Note payable to Peoples Bank Midwest bearing interest at 1.00 percent, matures April, 2026 subordinated to bank [a].	**$ 430,776**	$ -
PPP 1 Note payable to SBA bearing interest at 1.00% matures 2022, subordinated to bank [a].	**-**	492,100
Mortgage payable to Peoples Bank Midwest bearing interest at 2.91% with monthly installments of $14,566, matures September, 2040. Secured by building.	**2,613,272**	2,696,569
EIDL Note payable SBA bearing interest at 2.75% with monthly installments of $641, matures July, 2050.	**149,900**	-
Unamortized debt issuance costs	**(62,036)**	(65,273)
Total	**3,131,912**	3,123,396
Less: Current maturities	**110,200**	103,400
Long-Term Debt, net	**$ 3,021,712**	$ 3,019,996

The aggregate annual maturities of long-term debt at **June 30, 2021**, are as follows:

Year Ended June 30,	**Current Maturities**
2022	$ 110,200
2023	199,200
2024	238,800
2025	243,500
2026	238,300
After 2026	2,163,948
Total before Unamortized debt issuance costs	**3,193,948**
Less: Unamortized debt issuance costs	62,036
Total Long Term Debt	**$ 3,131,912**

NOTE 10 LONG-TERM DEBT (CONTINUED)

[a] In April, 2020, due to Covid-19, Congress authorized the Payroll Protection Program (PPP), offering forgivable loans. The Organization received a PPP loan of $492,100 calculated on the Organization's previous years payroll. The Organization has taken the loan approach to forgiveness; where forgiveness is recognized when the bank has forgiven the note. At **June 30, 2021**, the bank had forgiven the PPP loan 1. A second PPP loan of $430,776 was received during the year ended **June 30, 2021**. At **June 30, 2021**, the bank had not forgiven the second PPP loan.

NOTE 11 LEASE OBLIGATIONS

As Lessee

The Organization is obligated under an operating lease for a copier, expiring November, 2022.

Rent expense for leases was approximately **$9,513** and $9,513 for the year ended **June 30, 2021** and 2020, respectively.

The following is a schedule of future minimum lease payments under operating leases:

Year Ended June 30,	Amount
2022	$ 3,216
2023	1,340
Total Minimum Future Lease Payments	**$ 4,556**

As Lessor

The Organization leases office space in the building it occupies to tenants under noncancelable operating leases with terms of three to seven years.

Future minimum rentals, not including operating costs, under these lease agreements are as follows:

Year Ended June 30,	Amount
2022	$ 426,933
2023	355,882
2024	355,884
Total Minimum Future Lease Payments	**$ 1,138,699**

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
Diversion	**$ 15,000**	$ -
Total net assets with donor restrictions	**$ 15,000**	$ -

NOTE 13 RETIREMENT PLAN

Employees are eligible to participate in the sponsored 401(k) Trust Plan after 30 days of service with the Organization.

Employer contributions to the plan for the years ended **June 30, 2021** and 2020 were **$0** and $0, respectively.

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows at June 30:

	2021	2020
Cash and equivalents	**$ 797,290**	$ 255,388
Certificates of deposit	**-**	144,768
Receivables	**182,960**	336,713
Long-term investments	**283,950**	202,319
Total financial assets available within one year	**1,264,200**	939,188
Less:		
Amounts Unavailable to management without Board's approval:		
Certificates of deposit	**-**	144,768
Total amounts available to management for general expenditure within one year	**$ 1,264,200**	$ 794,420

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in investments and money market funds. The Board of Directors direct these investments, and review any and all requests by management to move designated funds for management use. At **June 30, 2021** and 2020, the amounts of financial assets available to management for operations were **$1,264,200** and $794,420, and operation annual costs were **$2,922,521** and $3,381,336, respectively. Management feels that it has the ability to cover the annual necessary expenses for the upcoming year with financial assets available and future support and revenue. Management also has the ability to request additional funds from Board designated cash and investments upon review by the Board.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Substantially all support and revenue is received from individuals, charitable organizations, foundations, and governmental entities; therefore, the continuation of certain programs for the Organization is dependent upon future funding.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting grants and their terms it has accommodated the objectives of the Organization to the provisions of the grants.

NOTE 16 RISKS AND UNCERTAINTIES

The Organization continues to evaluate the risk of COVID-19 and its impact on the Organization's support and revenues. The virus presents certain risks and uncertainties on the Organization's future operations, but the specific impact is not readily determinable as of the date of the financial statements.

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued an accounting standard that will result in significant changes to financial reporting and disclosures related to both operating and capital leases. The new lease standard is intended to increase transparency and comparability among companies that lease buildings, equipment, and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. The provisions of this statement are effective for the Organization's financial statements for the year ending June 30, 2022. The Organization is currently evaluating the effect the new standard will have on its financial statements.

NOTE 18 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through **February 3, 2022**, the date the financial statements were available to be issued. On December 28, 2021, the EIDL loan has been amended from $150,000 to $500,000 under the similar terms.