

***YOUTH EASTSIDE SERVICES***  
***(A Nonprofit Organization)***

Financial Statements

For the Years Ended December 31, 2013 and 2012

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***Independent Auditor's Report******To the Board of Trustees  
Youth Eastside Services  
Bellevue, WA***

We have audited the accompanying financial statements of Youth Eastside Services (the Agency), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 audits 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.

# CLARK NUBER

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services expenses presented on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants  
May 27, 2014

## ***YOUTH EASTSIDE SERVICES***

### ***Statements of Financial Position December 31, 2013 and 2012***

	<u>2013</u>	<u>2012</u>
<b><i>Assets</i></b>		
Cash and cash equivalents (Note 3)	\$ 318,351	\$ 894,188
Receivables from governmental agencies and others	387,635	306,374
Pledges receivable	88,982	44,132
Prepaid expenses	160,399	114,451
Investments (Note 4)	3,184,521	2,981,824
Investments - operating reserve (Note 4)	499,945	499,945
Investment in CrossPath, LLC (Note 5)	17,371	2,882
Campaign grants and pledges receivable, net (Note 7)	58,750	138,646
Property, furniture, and equipment at cost, net (Note 8)	6,102,913	5,650,857
Facilities contribution receivable (Note 6)	1,050,244	1,115,408
Cash and investments restricted for endowment (Note 4)	107,411	107,411
<b>Total Assets</b>	<b><u><u>\$ 11,976,522</u></u></b>	<b><u><u>\$ 11,856,118</u></u></b>
<b><i>Liabilities and Net Assets</i></b>		
<b>Liabilities:</b>		
Accounts payable	\$ 48,223	\$ 31,339
Accrued liabilities	114,594	79,011
Deferred rent	7,715	
Lease incentive liability	52,357	
<b>Total Liabilities</b>	<b>222,889</b>	<b>110,350</b>
<b>Net Assets:</b>		
Unrestricted	7,385,625	7,241,613
Temporarily restricted (Note 2)	4,260,597	4,396,744
Permanently restricted (Note 2)	107,411	107,411
<b>Total Net Assets</b>	<b><u><u>11,753,633</u></u></b>	<b><u><u>11,745,768</u></u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 11,976,522</u></u></b>	<b><u><u>\$ 11,856,118</u></u></b>

See accompanying notes.

## ***YOUTH EASTSIDE SERVICES***

### ***Statements of Activities***

***For the Years Ended December 31, 2013 and 2012***

	<u>2013</u>	<u>2012</u>
<b><i>Change in Unrestricted Net Assets</i></b>		
<b>Public Support:</b>		
United Way of King County	\$ 136,969	\$ 133,430
Cash contributions and pledges	533,268	578,104
Special events	541,266	511,579
In-kind donations	377,404	307,777
<b>Total Public Support</b>	<b>1,588,907</b>	<b>1,530,890</b>
<b>Revenue:</b>		
Fees and grants from governmental agencies	2,130,159	2,111,192
Other revenue-		
Program service fees	448,044	392,223
Gain (loss) on CrossPath, LLC	14,489	(9,800)
Investment income and other	251,335	256,617
<b>Total Revenue</b>	<b>2,844,027</b>	<b>2,750,232</b>
<b>Net Assets Released From Restrictions:</b>		
Satisfaction of program restrictions	91,107	625,528
Satisfaction of facilities and program expansion restrictions	65,163	64,809
Satisfaction of time restrictions	30,545	15,725
<b>Total Net Assets Released From Restrictions</b>	<b>186,815</b>	<b>706,062</b>
<b>Total Support, Revenue and Reclassifications</b>	<b>4,619,749</b>	<b>4,987,184</b>
<b>Expenses:</b>		
Program services-		
Youth and family counseling	1,566,881	1,409,374
Outreach/prevention/community education	933,263	836,833
Substance abuse services	956,365	973,981
Total program services	3,456,509	3,220,188
Supporting services-		
Management and general	531,807	496,631
Fundraising	487,421	436,960
Total supporting services	1,019,228	933,591
<b>Total Expenses</b>	<b>4,475,737</b>	<b>4,153,779</b>
<b>Change in Unrestricted Net Assets</b>	<b>144,012</b>	<b>833,405</b>

*See accompanying notes.*

***YOUTH EASTSIDE SERVICES***

***Statements of Activities (Continued)***

***For the Years Ended December 31, 2013 and 2012***

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	<u>2013</u>	<u>2012</u>
<b>Change in Temporarily Restricted Net Assets:</b>		
Contributions	50,668	36,325
Net assets released from restrictions	<u>(186,815)</u>	<u>(706,062)</u>
<b>Total Change in Temporarily Restricted Net Assets</b>	<b><u>(136,147)</u></b>	<b><u>(669,737)</u></b>
<b>Change in Net Assets</b>	<b>7,865</b>	<b>163,668</b>
Net assets, beginning of year	<u>11,745,768</u>	<u>11,582,100</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 11,753,633</u></b>	<b><u>\$ 11,745,768</u></b>

*See accompanying notes.*

## YOUTH EASTSIDE SERVICES

### Statement of Functional Expenses For the Year Ended December 31, 2013

	Program Services	Supporting Services			2013 Total
		Management and General	Fundraising	Total	
Professional staff salaries	\$ 1,985,586	\$ 288,266	\$ 271,425	\$ 559,691	\$ 2,545,277
Donated services	334,971	3,636	57	3,693	338,664
Employee benefits	286,603	64,419	37,436	101,855	388,458
Payroll taxes	156,519	21,210	25,399	46,609	203,128
<b>Total Salaries, Donated Services and Related Expenses</b>	<b>2,763,679</b>	<b>377,531</b>	<b>334,317</b>	<b>711,848</b>	<b>3,475,527</b>
Professional services	89,446	75,051	18,352	93,403	182,849
Occupancy	106,408	17,229	3,322	20,551	126,959
Special events - food and event center			75,835	75,835	75,835
Communications	44,499	5,666	3,624	9,290	53,789
Minor equipment and maintenance	31,631	15,430	2,478	17,908	49,539
Youth activities and events	40,464		2,250	2,250	42,714
Trainings, conferences and meetings	29,180	1,695	1,746	3,441	32,621
Supplies	25,800	1,087	3,957	5,044	30,844
Miscellaneous	17,975	6,363	5,806	12,169	30,144
Professional liability insurance	23,079	1,003	1,003	2,006	25,085
Transportation	15,436	1,142	95	1,237	16,673
Licenses and fees	13,215	273	37	310	13,525
Postage	7,239	1,311	3,645	4,956	12,195
Printing and publications	7,780	1,169	3,246	4,415	12,195
Laboratory fees	6,039				6,039
Advertising	4,880	117	1,021	1,138	6,018
Agency dues	2,363	1,969	898	2,867	5,230
<b>Total Expenses Before Contributed Facilities, Bad Debt and Depreciation and Amortization</b>	<b>3,229,113</b>	<b>507,036</b>	<b>461,632</b>	<b>968,668</b>	<b>4,197,781</b>
Contributed facilities - land (Note 6)	75,803	4,600	920	5,520	81,323
Contributed facilities- CrossPath, LLC	22,579				22,579
Bad debt			9,546	9,546	9,546
Depreciation and amortization (Note 8)	129,014	20,171	15,323	35,494	164,508
<b>Total Expenses</b>	<b>\$ 3,456,509</b>	<b>\$ 531,807</b>	<b>\$ 487,421</b>	<b>\$ 1,019,228</b>	<b>\$ 4,475,737</b>

See accompanying notes.



**YOUTH EASTSIDE SERVICES**

**Statement of Functional Expenses  
For the Year Ended December 31, 2012**

	<i>Program Services</i>	<i>Supporting Services</i>			<i>2012 Total</i>
		<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	
Professional staff salaries	\$ 1,907,109	\$ 264,019	\$ 243,635	\$ 507,654	\$ 2,414,763
Donated services	246,280	22,404		22,404	268,684
Employee benefits	253,829	59,494	27,199	86,693	340,522
Payroll taxes	148,206	18,257	22,003	40,260	188,466
<b>Total Salaries, Donated Services and Related Expenses</b>	<b>2,555,424</b>	<b>364,174</b>	<b>292,837</b>	<b>657,011</b>	<b>3,212,435</b>
Professional services	70,935	46,571	26,156	72,727	143,662
Occupancy	102,867	11,385	3,378	14,763	117,630
Special events - food and event center			72,298	72,298	72,298
Communications	44,784	4,930	3,566	8,496	53,280
Miscellaneous	15,466	26,302	4,572	30,874	46,340
Youth activities and events	44,246				44,246
Minor equipment and maintenance	29,650	6,239	3,286	9,525	39,175
Trainings, conferences and meetings	26,148	1,749	2,437	4,186	30,334
Supplies	25,779	1,598	2,836	4,434	30,213
Professional liability insurance	23,078	1,003	1,003	2,006	25,084
Transportation	14,648	480	110	590	15,238
Printing and publications	8,497	601	5,674	6,275	14,772
Licenses and fees	11,747	788	20	808	12,555
Postage	6,982	1,258	1,168	2,426	9,408
Laboratory fees	6,968				6,968
Advertising	4,766	289	788	1,077	5,843
Agency dues	768	3,363	17	3,380	4,148
<b>Total Expenses Before Contributed Facilities, Bad Debt and Depreciation and Amortization</b>	<b>2,992,753</b>	<b>470,730</b>	<b>420,146</b>	<b>890,876</b>	<b>3,883,629</b>
Contributed facilities - land (Note 6)	75,803	4,600	920	5,520	81,323
Contributed facilities- CrossPath, LLC	22,579				22,579
Depreciation and amortization (Note 8)	129,053	21,301	15,894	37,195	166,248
<b>Total Expenses</b>	<b>\$ 3,220,188</b>	<b>\$ 496,631</b>	<b>\$ 436,960</b>	<b>\$ 933,591</b>	<b>\$ 4,153,779</b>

See accompanying notes.

## ***YOUTH EASTSIDE SERVICES***

### ***Statements of Cash Flows***

***For the Years Ended December 31, 2013 and 2012***

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 7,865	\$ 163,668
Adjustments to reconcile change in net assets to cash provided by operating activities-		
Depreciation and amortization	164,508	166,248
Write-off of uncollectible pledges	9,546	
Net investment gain	(150,034)	(140,912)
Net (gain) loss in CrossPath, LLC	(14,489)	9,800
Decrease (Increase) in operating assets:		
Receivables from governmental agencies and others	(81,261)	(21,189)
Pledges receivable	(44,850)	24,208
Facilities contribution receivable	65,164	64,809
Other assets	(45,948)	(11,357)
(Decrease) Increase in operating liabilities:		
Accounts payable and accrued liabilities	52,467	(59,591)
Deferred rent and lease incentive liabilities	60,072	
Total adjustments	<u>15,175</u>	<u>32,016</u>
<b>Net Cash Provided by Operating Activities</b>	<b>23,040</b>	<b>195,684</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(1,924,905)	(3,174,251)
Proceeds from sale of investments	1,872,242	2,303,051
Acquisition of property, furniture and equipment	(616,564)	
<b>Net Cash Used in Investing Activities</b>	<b>(669,227)</b>	<b>(871,200)</b>
<b>Cash Flows from Financing Activities:</b>		
Cash received for investment in facilities and program enhancement	<u>70,350</u>	<u>100,326</u>
<b>Net Cash Provided by Financing Activities</b>	<b>70,350</b>	<b>100,326</b>
Net change in cash and cash equivalents	(575,837)	(575,190)
Cash and cash equivalents, beginning of year	<u>894,188</u>	<u>1,469,378</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 318,351</u></b>	<b><u>\$ 894,188</u></b>

*See accompanying notes.*

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 1 - Organization Purposes and Programs***

Youth Eastside Services (the Agency) is a Washington not-for-profit corporation and is a multi-service agency providing educational, treatment, and prevention services to youth and their parents on the Eastside of King County. Founded in Bellevue in 1968, the Agency provides services in three facilities in Bellevue, Kirkland and Redmond, as well as 40 other community sites including teen centers, schools and community centers.

The Agency's mission statement is as follows:

“Youth Eastside Services is a lifeline for kids and families coping with challenges such as emotional distress, substance abuse, and violence. Through intervention, outreach and prevention, the Agency builds confidence and responsibility, strengthens family relationships, and advocates for a safer community that cares for its youth.”

The funding sources and programs of the Agency are:

**Funding Sources** - The Agency receives operating funds from United Way, government agencies, two Eastside school districts and four Eastside cities. In addition, the Agency receives proceeds from special fundraising events, cash contributions and program service fees. Funds originating from the federal and state level are received by the Agency in local government contracts.

The primary services of the Agency are:

**Youth and Family Counseling** - Through individual, family and group counseling, the Agency works to improve the relationship between youth and their families, to help youth be healthy, confident and self-reliant, to reduce problems within the family, and improve family relationships. Common issues addressed include:

- Behavioral difficulties;
- School-related problems such as peer conflict or academic stress;
- Parent-child conflicts and other family relationship issues including blending families;
- Grief and loss including divorce adjustment;
- Self-esteem issues;
- Depression and/or anxiety;
- Suicidal thoughts;
- Self-harm;
- Physical or sexual abuse and trauma;
- Substance abuse; and
- Sexual orientation or gender identification.

The Agency also provides specialized counseling services for specific high-risk populations, which include:

- Teen parents;
- Victims of teen dating/domestic violence;
- Low-income youth and family services in a school-based setting;
- Information and referral services are also provided by the Agency 40 hours per week;
- Specialized therapeutic services for adolescent victims of sexual abuse and for the nonoffending parents; and
- Youth suffering with severe depression and anxiety.

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 1 - Continued***

**Substance Abuse Services** - The Agency is a state-certified Outpatient Chemical Dependency Treatment Program for youth, providing individual, family and group counseling focused on the treatment of chemical abuses and dependency. Certified Chemical Dependency Professionals are also on-site in secondary schools in the Lake Washington School District providing substance abuse counseling, education, and prevention services. Through 2013, the Agency also partnered with The Moyer Foundation to offer Camp Mariposa, separate weekend camps for children and youth affected by family addiction. Our substance abuse services include:

- Assessment
- Treatment
- Group programs
- Parent support
- Information and referral
- Education & prevention
- Recovery support

**Outreach/Prevention/Community Education** - The Agency provides outreach prevention and education programs for youth and their family to address issues around drug use/abuse, youth emotional development and mental health, parenting skills, and more. Specific programs include:

Teen Dating/Domestic Violence - Work throughout the Eastside to educate youth, families, and adolescents about identifying and preventing teen domestic violence.

Latino HEAT/Latinos Unidos - Programs specifically targeted to reach at risk Latino youth. The program infuses the best practice interventions of mentoring, cultural pride and community service, as well as general case management services to empower youth to live a healthy, violence free life.

Family Net - Social work and family support at Rose Hill Elementary and Redmond Elementary in the Lake Washington School District.

Success Program - A mentoring program primarily serving the Bellevue School District aimed at preventing school dropouts and encouraging healthy development.

Teen Center Outreach - Counseling staff working with youth in Bellevue, Kirkland, and Redmond teen centers.

Crossroads Community Center - In cooperation with the Bellevue Parks and Community Services Department, YES operates drop-in services at the Crossroads Community Center providing counseling, crisis intervention as well as information and referral services to the youth and family participants at the Center.

BGLAD - Free weekly drop in support group for LGBTQI youth.

PEACE Anti-Bullying Program - Empowers and educates 5<sup>th</sup> grade students to be PEACE Ambassadors (Peers Educating and Coaching Empathy). These young leaders help establish a climate of compassion at their schools and provide education and resources for those in younger grades to decrease bullying and the need for adult intervention in bullying episodes in a school.

**YOUTH EASTSIDE SERVICES**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 1 - Continued**

Healthy Start - An intensive home visiting outreach program for pregnant and parenting teens that provides parent education, support, information, and referral to parents up to age 21.

Parent Education, Support and Coaching - Coaching one or both parents (caregivers) of children/youth via phone or in person to help them navigate mental health, substance abuse and other social/emotional/development challenges they are facing with their children. In addition, topical seminars are provided to help educate and support parents on the most relevant topics/trends impacting children/youth in our community.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The following net assets were designated by the Agency at December 31:

	<u>2013</u>	<u>2012</u>
Strategic initiatives	\$ 500,000	\$ -
Operating reserves, program expansion and growth		1,183,098
Major building repairs and replacement	<u>40,600</u>	<u>20,000</u>
	<b><u>\$ 540,600</u></b>	<b><u>\$ 1,203,098</u></b>

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time. The temporarily restricted net assets at December 31 are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Program restrictions	\$ 3,150,771	\$ 3,241,878
Facilities and program expansion	1,051,469	1,116,464
Time restrictions	<u>58,357</u>	<u>38,402</u>
	<b><u>\$ 4,260,597</u></b>	<b><u>\$ 4,396,744</u></b>

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or specific purposes. The Agency had \$107,411 in permanently restricted net assets at both December 31, 2013 and 2012, from which the earnings can be used for any purpose.

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 2 - Continued***

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is the Agency's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class activity.

**Cash and Cash Equivalents and Investments** - The Agency generally considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Agency records certificates of deposits at cost plus accrued interest.

**Receivables** - Receivables are stated at the amount management expects to collect from outstanding balances. Receivables are primarily from governmental agencies and the Agency believes an allowance for uncollectible accounts is not necessary.

**Pledges Receivable** - Pledges receivable represent outstanding commitments to support operations. Balances at December 31, 2013 and 2012 are due within one year.

**Property, Furniture and Equipment** - Assets are recorded at cost or at the fair value assigned when received as gifts, net of accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	19 - 50 years
Furniture and equipment	3 - 10 years
Software	3 - 5 years
Leasehold building improvements	Shorter of useful life or term of lease

The Agency capitalizes expenditures greater than \$5,000 with a useful life beyond one year, and expenditures that materially increase the useful life of existing assets. Ordinary maintenance and repairs are charged to operations as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Agency's policy to release cash restricted for purchase of long-lived assets over the life of the purchased asset, rather than at the time the asset is placed in service.

**Fees and Grants from Governmental Agencies** - Fees and grants from governmental agencies revenue is recognized when earned as services are provided primarily on a fee for service basis.

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 2 - Continued***

**Contributions** - All contributions are considered available for unrestricted and undesignated use, unless specifically restricted by the donor. Pledges are recorded as a pledge receivable when the Agency is notified of the pledge and allowances are provided for amounts estimated as uncollectible. Bequests are recorded as income at the time the Agency has an established right to the bequest and the proceeds are measurable.

**Volunteers** - A substantial amount of services are provided through the utilization of over 400 community volunteers. The Agency staff recruits, trains, supervises, and evaluates volunteers. Volunteers make significant contributions of time to carry out the programs and activities of the Agency. Those services that meet the criteria outlined by generally accepted accounting principles in the United States of America (U.S. GAAP) have been recorded as both revenue and expense at the fair value of the services performed. Those meeting the recognition criteria have a recorded value of \$338,665 and \$268,684 for the years ended December 31, 2013 and 2012, respectively.

**In-Kind Contributions** - The Agency's in-kind contributions consist of the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Donated services	\$ 338,665	\$ 268,684
Facilities	38,739	39,093
	<u><u>\$ 377,404</u></u>	<u><u>\$ 307,777</u></u>

**Investment Income** - Investment income is recognized when earned. Unrealized gains and losses on marketable securities are recognized as incurred.

**Operating Activities** - The Agency considers unrestricted activities that are not associated with the "Campaign for Eastside Kids" to be operating activities.

**Credit Risk** - Financial instruments that potentially subject the Agency to concentration of credit risk consist principally of cash and investments. At December 31, 2013 and 2012, the Agency had amounts on deposit with banks in excess of the federally insured amount.

**Income Taxes** - The Internal Revenue Service (IRS) has determined that the Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Agency files income tax returns with the U.S. government. The Agency is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

**Functional Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on the benefits derived.

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 2 - Continued***

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** - Certain reclassifications were made to the December 31, 2012, financial statements to conform to the current period presentation. The reclassifications had no effect on the previously reported change in net assets or net asset balances.

**Subsequent Events** - The Agency has evaluated subsequent events through May 27, 2014, the date on which the financial statements were available to be issued.

#### ***Note 3 - Cash and Cash Equivalents***

Cash and cash equivalents at December 31 include the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 283,399	\$ 850,760
Government money market	<u>34,952</u>	<u>43,428</u>
	<u><b>\$ 318,351</b></u>	<u><b>\$ 894,188</b></u>

At December 31, 2013 and 2012, \$107,411 and \$7,411 cash were held for endowments and are included in cash and investments restricted for endowment on the statements of financial position.

#### ***Note 4 - Investments***

**Valuation Techniques** - Investments are reported at fair value based on quoted market prices, except for certificates of deposit which are reported at cost, and investment in CrossPath, LLC, which is valued using the equity method. Fair value is determined using a fair value hierarchy which prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Agency at year-end.

Equity Securities - Valued at quoted market prices in active markets.



## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

#### Note 4 - Continued

Assets subject to fair value are measured on a recurring basis at December 31, 2013 and 2012. Management has used Level 1 inputs to value investments as follows:

	<u>2013</u>	<u>2012</u>
Investments at fair value (Level 1)-		
Money market funds	\$ 111,698	\$ 155,420
Mutual funds:		
Fixed income	1,859,784	1,839,320
Blend	279,521	202,231
International	227,640	136,773
REITS	64,560	27,965
Commodities		26,963
Equity securities:		
Information technology	109,607	104,917
Health care	80,541	95,661
Consumer discretionary	77,473	79,330
Financials	122,441	78,412
Energy	52,414	63,113
Consumer staples	60,789	56,544
Industrials	85,716	55,693
Materials	35,650	31,857
Utilities	16,687	22,649
Telecommunication services		4,976
<b>Total Investments at Fair Value</b>	<b>3,184,521</b>	<b>2,981,824</b>
Investments at cost-		
Certificate of deposit - operating reserve	499,945	499,945
Certificates of deposit - restricted for endowment		100,000
<b>Total Investments at Cost</b>	<b>499,945</b>	<b>599,945</b>
Investments valued using the equity method-		
CrossPath, LLC (See Note 5)	17,371	2,882
	<b><u>\$ 3,701,837</u></b>	<b><u>\$ 3,584,651</u></b>

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 4 - Continued***

At December 31, 2013 and 2012, cash and investments restricted for endowments on the statements of financial position were as follows:

	<u>2013</u>	<u>2012</u>
Certificate of deposit - restricted for endowment	\$ -	\$ 100,000
Cash - restricted for endowment	<u>107,411</u>	<u>7,411</u>
<b>Total Cash and Investments Restricted for Endowment</b>	<b><u>\$ 107,411</u></b>	<b><u>\$ 107,411</u></b>

Net realized and unrealized gains recognized for the year ended December 31, 2013, amounted to \$150,034 (\$140,912 in 2012). Dividends and interest recognized for the year ended December 31, 2013, amounted to \$75,219 (\$89,676 in 2012). Realized and unrealized gains and losses and dividends and interest are included in investment income and other on the statements of activities.

#### ***Note 5 - Investment in CrossPath, LLC***

As of March 1, 2010, the Agency and another not-for-profit corporation formed CrossPath, LLC in which the Agency has a 50% interest. CrossPath, LLC is a for-profit entity and provides counseling and related services to youth and their families. CrossPath, LLC was formed to improve the emotional stability and self sufficiency of youth and their families in the community and to address challenges such as emotional distress, substance abuse and violence. The Agency's initial investment in CrossPath, LLC was \$52,000. The Agency accounts for CrossPath, LLC using the equity method. The Agency's share of CrossPath, LLC's income for the year ended December 31, 2013, was \$14,489 (\$9,800 loss in 2012). The CrossPath, LLC investment balance at December 31, 2013 and 2012, was \$17,371 and \$2,882, respectively.

#### ***Note 6 - Facilities Contribution Receivable***

The Agency received a contribution for the right to use the land for the Bellevue facility from the City of Bellevue (the City). In 2000, the Agency received a renewal and extension of its previous lease. Under the term of the lease, the Agency will lease the land from the City for a period of up to fifty years (at the Agency's option) at a rate of one dollar (\$1) per year. At the expiration of the lease, the title to the building and improvements will be transferred to the City. The fair value of the annual land lease is recorded as contributed facilities expense. The value of the contribution through the term of the agreement, recorded at its estimated present value, increased facilities contribution receivable and temporarily restricted net assets in 2000 by approximately \$592,000. The facility contribution is being released from restriction over the life of the lease.

In 2008, the Agency received a contribution for the right to use a building and parking lot from the City of Kirkland. Under the terms of the lease, the Agency will lease the facilities for a ten year period with an option to lease an additional ten years. In consideration for leasing the facilities the Agency will pay for any tenant improvements required for the Agency to occupy the space. The fair value of the annual lease is recorded as contributed facilities expense. The value of the contribution through the term of the agreement, recorded at its estimated present value, increased facilities contribution receivable and temporarily restricted net assets in 2008 by approximately \$324,000. The facility contribution is being released from restriction over the life of the lease.

**YOUTH EASTSIDE SERVICES**

**Notes to Financial Statements  
For the Years Ended December 31, 2013 and 2012**

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**Note 6 - Continued**

In 2009, the Agency received a contribution for the right to use a building and parking lot from the City of Sarmamish. Under the terms of the lease, the Agency will lease the facilities for a ten year period with an option to lease an additional ten years. In consideration for leasing the facilities the Agency will pay for any tenant improvements required for the Agency to occupy the space. The fair value of the annual lease is recorded as contributed facilities expense. The value of the contribution through the term of the agreement, recorded at its estimated present value, increased facilities contribution receivable and temporarily restricted net assets in 2009 by approximately \$222,000. The facility contribution is being released from restriction over the life of the lease.

**Note 7 - Campaign Grants and Pledges Receivable**

During 2005, the Agency began a "Campaign for Eastside Kids" (the Campaign). The goal of the Campaign was to raise contributions of at least \$10.7 million for capital projects and program expansion. The Agency completed the campaign in February 2009.

The campaign grants and pledges receivable are due as follows at December 31:

	<u>2013</u>	<u>2012</u>
Receivable due in less than one year	\$ 68,750	\$ 180,050
Less allowance for uncollectible pledges	<u>(10,000)</u>	<u>(41,404)</u>
	<u><b>\$ 58,750</b></u>	<u><b>\$ 138,646</b></u>

Included in campaign grants and pledges receivable are commitments from board members totaling \$58,750 and \$133,750 at December 31, 2013 and 2012, respectively.

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 8 - Property, Furniture and Equipment***

Property, furniture and equipment at December 31 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Buildings - Bellevue and Kirkland	\$ 6,537,775	\$ 6,413,106
Furniture and equipment	223,062	157,047
Software	164,589	164,589
Land improvements	<u>26,645</u>	<u>26,645</u>
	6,952,071	6,761,387
Less accumulated depreciation	<u>(1,288,762)</u>	<u>(1,133,644)</u>
	5,663,309	5,627,743
Land - Kirkland	23,114	23,114
EHR in progress	<u>416,490</u>	<u></u>
	<b><u>\$ 6,102,913</u></b>	<b><u>\$ 5,650,857</u></b>

EHR in progress relates to costs incurred for new software that was placed into service in early 2014 (see Note 10). Depreciation and amortization expense included in the accompanying financial statements consisted of:

	<u>2013</u>	<u>2012</u>
Building, leasehold and land improvements	\$ 160,741	\$ 156,132
Furniture and equipment and software	<u>3,767</u>	<u>10,116</u>
	<b><u>\$ 164,508</u></b>	<b><u>\$ 166,248</u></b>

#### ***Note 9 - Endowments***

The Agency's endowment consists of donor-restricted funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Board of Trustees of the Agency has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this determination, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

***YOUTH EASTSIDE SERVICES***

***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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***Note 9 - Continued***

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Agency and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Agency; and
- The investment policies of the Agency.

As of December 31, endowment net assets consisted of the following:

	<u><i>Unrestricted</i></u>	<u><i>Temporarily Restricted</i></u>	<u><i>Permanently Restricted</i></u>	<u><i>Total</i></u>
Donor restricted endowment funds, December 31, 2012	\$ -	\$ 1,056	\$ 107,411	\$ 108,467
Donor restricted endowment funds, December 31, 2013	\$ -	\$ 1,224	\$ 107,411	\$ 108,635

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

#### Note 9 - Continued

Changes to endowment net assets for the years ended December 31, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2011	\$ -	\$ 710	\$ 107,411	\$ 108,121
Endowment investment return- Interest and dividends		346		346
<b>Endowment net assets, December 31, 2012</b>	<b>\$ -</b>	<b>\$ 1,056</b>	<b>\$ 107,411</b>	<b>\$ 108,467</b>
Endowment investment return- Interest and dividends		168		168
<b>Endowment Net Assets, December 31, 2013</b>	<b>\$ -</b>	<b>\$ 1,224</b>	<b>\$ 107,411</b>	<b>\$ 108,635</b>

**Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Agency to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013 or 2012.

**Spending Policy, Return Objectives and Risk Parameters** - The Agency has not formally adopted a spending policy. All investments are comingled and managed under the direction of the Finance Committee. The Board of Trustees has formally adopted a Conservative Growth investment policy. Under this policy, the Agency's long-term investment objective is to provide a blend of current income and modest portfolio appreciation, to earn an average annual real total return of at least five percent, net of management fees over rolling ten or fifteen year periods. Over shorter time periods (rolling five year period), the Agency will seek to outperform a composite of market indices reflecting the Agency's asset allocation policies and perform on par with other nontaxable institutional funds with broadly similar investment objectives and policies.

#### Note 10 - Lease and Other Commitments

**Redmond Facility** - During 2012, the office space lease in Redmond ended and the Agency occupied the space on a month to month basis. Effective October 1, 2013, the Agency signed a long-term office lease at a new location in Redmond. The lease is subject to escalating rent payments and provided an allowance for tenant improvements. Rent expense for the Redmond facility was \$29,410 and \$27,075 for 2013 and 2012, respectively.

Total rent expense was \$35,791 and \$32,884 for the years ended December 31, 2013 and 2012, respectively.

## ***YOUTH EASTSIDE SERVICES***

### ***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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#### ***Note 10 - Continued***

**Service Contract** - During 2013, the Agency contracted with a company to install an electronic health record system (EHR). The contract includes annual payments of approximately \$47,000 through 2019 for support and maintenance.

#### ***Note 11 - Pension Plans***

**401(k) Plan** - The Agency has a defined contribution retirement plan qualified under section 401(k) of the IRC. All employees who work 20 hours or more per week and are employed by the Agency on the last day of the year are eligible to participate after one year of service. The Agency's contributions are set by the plan to match no less than 2.5 percent of eligible employees' compensation. Total Agency contributions under this plan amounted to \$47,916 and \$51,384 in 2013 and 2012, respectively.

**403(b) Plan** - The Agency has a defined contribution retirement plan qualified under Section 403(b) of the IRC. This plan covers all employees who work 20 hours or more per week and have less than one year of service. The Agency does not match contributions to this plan.

**457(b) Plan** - The Agency has a defined contribution retirement plan qualified under Section 457(b) of the IRC. This plan covers the Agency's highly compensated employees. The Agency matches 100 percent of contributions made by the highly compensated employees to the 457(b) plan, up to IRC limits. Total Agency contributions under this plan amounted to \$7,661 and \$6,323 in 2013 and 2012, respectively.

#### ***Note 12 - Concentrations***

Support and revenue includes \$2,130,159 and \$2,111,192 of government grants and contracts for 2013 and 2012, respectively. This represents 48% and 49% of total operating public support and revenue, respectively.

#### ***Note 13 - Special Events***

During the year, the Agency had fundraising events that grossed revenues of \$541,266 (\$511,579 in 2012) and had expenses of \$75,835 (\$72,298 in 2012). Expenses are included in special event expenses on the statements of functional expenses for both years ended December 31, 2013 and 2012. The Agency also had \$16,500 released from temporary restricted net assets to unrestricted net assets during the year ended December 31, 2013, relating to 2013 fundraising events.

#### ***Note 14 - Self Insurance***

The Agency is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under State Unemployment Insurance Statutes. As of December 31, 2013 and 2012, the Agency had \$69,709 and \$75,538, respectively, on deposit, which is classified as prepaid expenses in the statements of financial position, with the Trust to fund these obligations. Any potential claims that may exist cannot be reasonably estimated at December 31, 2013; therefore, no accrual for liabilities has been made.

***YOUTH EASTSIDE SERVICES***

***Notes to Financial Statements***

***For the Years Ended December 31, 2013 and 2012***

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***Note 15 - Contingencies***

The Agency is involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. The Agency does not believe that any such pending claims, proceedings or litigation either alone or in the aggregate, will have a material effect on the Agency's financial position or results of operations.



***SUPPLEMENTARY INFORMATION***

**YOUTH EASTSIDE SERVICES**

**Schedule of Program Services Expenses  
For the Year Ended December 31, 2013  
(With Comparative Totals for 2012)**

	<i>Youth And Family Counseling</i>	<i>Outreach/ Prevention/ Community Education</i>	<i>Substance Abuse Services</i>	<i>Program Services Expenses</i>	
				<i>2013</i>	<i>2012</i>
Professional staff salaries	\$ 829,952	\$ 589,525	\$ 566,109	\$ 1,985,586	\$ 1,907,109
Donated services	205,361	77,100	52,510	334,971	246,280
Employee benefits	119,209	86,573	80,821	286,603	253,829
Payroll taxes	65,812	45,432	45,275	156,519	148,206
<b>Total Salaries, Donated Services and Related Expenses</b>	<b>1,220,334</b>	<b>798,630</b>	<b>744,715</b>	<b>2,763,679</b>	<b>2,555,424</b>
Occupancy	55,143	24,915	26,350	106,408	102,867
Professional services	59,466	8,505	21,475	89,446	70,935
Youth activities and events	2,664	8,438	33,397	44,499	44,246
Communications	18,859	11,639	9,966	40,464	44,784
Minor equipment and maintenance	12,468	11,731	7,432	31,631	29,650
Trainings, conferences and meetings	21,833	3,437	3,910	29,180	26,148
Supplies	13,813	5,797	6,190	25,800	25,779
Professional liability insurance	9,032	9,030	5,017	23,079	23,078
Miscellaneous	7,733	5,858	4,384	17,975	15,466
Transportation	5,511	8,008	1,917	15,436	14,648
Licenses and fees	6,545	1,144	5,526	13,215	11,747
Printing and publications	2,563	3,747	1,470	7,780	8,497
Postage	3,614	914	2,711	7,239	6,982
Laboratory fees			6,039	6,039	6,968
Advertising	193	85	4,602	4,880	4,766
Agency dues	1,086	745	532	2,363	768
<b>Total Expenses Before Contributed Facilities and Depreciation and Amortization</b>	<b>1,440,857</b>	<b>902,623</b>	<b>885,633</b>	<b>3,229,113</b>	<b>2,992,753</b>
Contributed facilities - land	37,064	6,274	32,465	75,803	75,803
Contributed facilities - CrossPath, LLC	7,527	7,526	7,526	22,579	22,579
Depreciation and amortization	81,433	16,840	30,741	129,014	129,053
<b>Total Expenses</b>	<b>\$ 1,566,881</b>	<b>\$ 933,263</b>	<b>\$ 956,365</b>	<b>\$ 3,456,509</b>	<b>\$ 3,220,188</b>

See independent auditor's report.