

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

Financial Statements

For the Years Ended December 31, 2014 and 2013

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements:</b>	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 21
<b>Supplementary Information:</b>	
Schedule of Program Services Expenses	22

## **Independent Auditor's Report**

**To the Board of Trustees  
Youth Eastside Services  
Bellevue, Washington**

We have audited the accompanying financial statements of Youth Eastside Services (the Agency), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 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.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1700  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **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, 2014 and 2013, 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 22 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.

*Clark Nuber P.S.*

Certified Public Accountants  
May 19, 2015

**YOUTH EASTSIDE SERVICES**

**Statements of Financial Position  
December 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 203,371	\$ 318,351
Receivables from governmental agencies and others, net	431,360	387,635
Pledges receivable	54,544	88,982
Prepaid expenses	172,600	160,399
Investments (Note 4)	3,850,346	3,684,466
Investment in CrossPath, LLC (Note 5)	54,181	17,371
Campaign grants and pledges receivable, net (Note 7)	11,000	58,750
Property, furniture, and equipment at cost, net (Note 8)	5,936,549	6,102,913
Facilities contribution receivable (Note 6)	984,710	1,050,244
Cash restricted for endowment (Note 3)	107,411	107,411
<b>Total Assets</b>	<b><u>\$ 11,806,072</u></b>	<b><u>\$ 11,976,522</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 11,493	\$ 48,223
Accrued liabilities	75,708	114,594
Deferred rent	13,451	7,715
Lease incentive liability	46,988	52,357
<b>Total Liabilities</b>	<b>147,640</b>	<b>222,889</b>
<b>Net Assets:</b>		
Unrestricted	7,455,535	7,385,625
Temporarily restricted (Note 2)	4,095,486	4,260,597
Permanently restricted (Note 2)	107,411	107,411
<b>Total Net Assets</b>	<b><u>11,658,432</u></b>	<b><u>11,753,633</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 11,806,072</u></b>	<b><u>\$ 11,976,522</u></b>

See accompanying notes.

**YOUTH EASTSIDE SERVICES**

**Statements of Activities  
For the Years Ended December 31, 2014**

	2014	2013
<b>Change in Unrestricted Net Assets</b>		
<b>Public Support:</b>		
United Way of King County	\$ 135,717	\$ 136,969
Cash contributions and pledges	448,919	533,268
Special events	615,972	541,266
In-kind donations	249,028	377,404
<b>Total Public Support</b>	<b>1,449,636</b>	<b>1,588,907</b>
<b>Revenue:</b>		
Fees and grants from governmental agencies	2,170,154	2,130,159
Other revenue-		
Program service fees	386,972	448,044
Gain on CrossPath, LLC	36,810	14,489
Investment income and other	217,152	251,335
<b>Total Revenue</b>	<b>2,811,088</b>	<b>2,844,027</b>
<b>Net Assets Released From Restrictions:</b>		
Satisfaction of program restrictions	91,107	91,107
Satisfaction of facilities and program expansion restrictions	65,534	65,163
Satisfaction of time restrictions	52,470	30,545
<b>Total Net Assets Released From Restrictions</b>	<b>209,111</b>	<b>186,815</b>
<b>Total Support, Revenue and Reclassifications</b>	<b>4,469,835</b>	<b>4,619,749</b>
<b>Expenses:</b>		
Program services-		
Youth and family counseling	1,690,719	1,566,881
Outreach/prevention/community education	803,060	933,263
Substance abuse services	897,340	956,365
Total program services	3,391,119	3,456,509
Supporting services-		
Management and general	549,894	531,807
Fundraising	458,912	487,421
Total supporting services	1,008,806	1,019,228
<b>Total Expenses</b>	<b>4,399,925</b>	<b>4,475,737</b>
<b>Change in Unrestricted Net Assets</b>	<b>69,910</b>	<b>144,012</b>

See accompanying notes.

**YOUTH EASTSIDE SERVICES**

**Statements of Activities (Continued)  
For the Years Ended December 31, 2014**

---

	<u>2014</u>	<u>2013</u>
<b>Change in Temporarily Restricted Net Assets:</b>		
Contributions	44,000	50,668
Net assets released from restrictions	<u>(209,111)</u>	<u>(186,815)</u>
<b>Total Change in Temporarily Restricted Net Assets</b>	<b><u>(165,111)</u></b>	<b><u>(136,147)</u></b>
<b>Change in Net Assets</b>	<b>(95,201)</b>	<b>7,865</b>
Net assets, beginning of year	<u>11,753,633</u>	<u>11,745,768</u>
<b>Net Assets, End of Year</b>	<b><u><u>\$ 11,658,432</u></u></b>	<b><u><u>\$ 11,753,633</u></u></b>

See accompanying notes.

## YOUTH EASTSIDE SERVICES

### Statement of Functional Expenses For the Year Ended December 31, 2014

	Program Services	Supporting Services			2014 Total
		Management and General	Fundraising	Total	
Professional staff salaries	\$ 1,963,029	\$ 289,914	\$ 193,016	\$ 482,930	\$ 2,445,959
Donated services	209,475	1,184		1,184	210,659
Employee benefits	247,419	55,752	23,902	79,654	327,073
Payroll taxes	168,785	22,660	17,630	40,290	209,075
<b>Total Salaries, Donated Services and Related Expenses</b>	<b>2,588,708</b>	<b>369,510</b>	<b>234,548</b>	<b>604,058</b>	<b>3,192,766</b>
Professional services	138,746	113,935	43,800	157,735	296,481
Occupancy	126,815	12,177	3,569	15,746	142,561
Special events - food and event center			73,200	73,200	73,200
Youth activities and events	9,675		550	550	10,225
Communications	42,715	5,485	3,472	8,957	51,672
Minor equipment and maintenance	20,469	1,888	955	2,843	23,312
Trainings, conferences and meetings	11,377	2,450	1,820	4,270	15,647
Printing and publications	4,896	541	16,954	17,495	22,391
Supplies	22,019	974	4,982	5,956	27,975
Miscellaneous	13,634	5,287	862	6,149	19,783
Professional liability insurance	23,447	1,019	1,019	2,038	25,485
Transportation	12,767	283	93	376	13,143
Licenses and fees	10,557	89	101	190	10,747
Postage	5,766	1,047	2,880	3,927	9,693
Advertising	3,964	1,654	2,972	4,626	8,590
Laboratory fees	4,138				4,138
Agency dues	447	2,693	315	3,008	3,455
<b>Total Expenses Before Contributed Facilities, Bad Debt and Depreciation and Amortization</b>	<b>3,040,140</b>	<b>519,032</b>	<b>392,092</b>	<b>911,124</b>	<b>3,951,264</b>
Contributed facilities (Note 6)	75,802	4,600	920	5,520	81,322
Contributed facilities- CrossPath, LLC (Note 6)	22,580				22,580
Bad debt			48,034	48,034	48,034
Depreciation and amortization (Note 8)	252,597	26,262	17,866	44,128	296,725
<b>Total Expenses</b>	<b>\$ 3,391,119</b>	<b>\$ 549,894</b>	<b>\$ 458,912</b>	<b>\$ 1,008,806</b>	<b>\$ 4,399,925</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	40,464	5,666	3,624	9,290	49,754
Minor equipment and maintenance	31,631	15,430	2,478	17,908	49,539
Youth activities and events	44,499		2,250	2,250	46,749
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 (Note 6)	75,803	4,600	920	5,520	81,323
Contributed facilities- CrossPath, LLC (Note 6)	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

### Statements of Cash Flows For the Years Ended December 31, 2014

	2014	2013
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (95,201)	\$ 7,865
Adjustments to reconcile change in net assets to cash provided by operating activities-		
Depreciation and amortization	296,725	164,508
Write-off of uncollectible pledges	48,034	9,546
Net investment gain	(115,321)	(150,034)
Net gain in CrossPath, LLC	(36,810)	(14,489)
Loss on disposal of assets	773	
(Increase) Decrease in operating assets:		
Receivables from governmental agencies and others	(43,725)	(81,261)
Pledges receivable	30,404	(44,850)
Facilities contribution receivable	65,534	65,164
Prepaid expenses	(12,201)	(45,948)
(Decrease) Increase in operating liabilities:		
Accounts payable and accrued liabilities	(75,616)	52,467
Deferred rent and lease incentive liabilities	367	60,072
Total adjustments	158,164	15,175
<b>Net Cash Provided by Operating Activities</b>	<b>62,963</b>	<b>23,040</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(760,194)	(1,924,905)
Proceeds from sale of investments	709,635	1,872,242
Acquisition of property, furniture, and equipment	(131,134)	(616,564)
<b>Net Cash Used in Investing Activities</b>	<b>(181,693)</b>	<b>(669,227)</b>
<b>Cash Flows From Financing Activities:</b>		
Cash received for investment in facilities and program enhancement	3,750	70,350
<b>Net Cash Provided by Financing Activities</b>	<b>3,750</b>	<b>70,350</b>
Net change in cash and cash equivalents	(114,980)	(575,837)
Cash and cash equivalents, beginning of year	318,351	894,188
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 203,371</b>	<b>\$ 318,351</b>

See accompanying notes.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### 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, 2014

---

#### 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. The Agency's 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, 2014

---

#### 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:

	2014	2013
Strategic initiatives	\$ 500,000	\$ 500,000
Major building repairs and replacement	61,822	40,600
	<u>\$ 561,822</u>	<u>\$ 540,600</u>

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:

	2014	2013
Program restrictions	\$ 3,059,664	\$ 3,150,771
Facilities and program expansion	985,935	1,051,469
Time restrictions	49,887	58,357
	<u>\$ 4,095,486</u>	<u>\$ 4,260,597</u>

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, 2014 and 2013, from which the earnings can be used for any purpose.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### 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 patient fee-for-service arrangements. Management provides for probable uncollectible amounts through a charge to the statements of activities and a credit to a valuation allowance account based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivables. At December 31, 2014 and 2013, the allowance for doubtful accounts was \$81,711 and \$0, respectively.

**Pledges Receivable** - Pledges receivable represent outstanding unconditional commitments to support operations. Balances at December 31, 2014 and 2013 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 value or 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, 2014

---

#### 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 accounting principles generally accepted 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 \$210,660 and \$338,665 for the years ended December 31, 2014 and 2013, respectively.

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

	<u>2014</u>	<u>2013</u>
Donated services	\$ 210,660	\$ 338,665
Facilities	<u>38,368</u>	<u>38,739</u>
	<u><u>\$ 249,028</u></u>	<u><u>\$ 377,404</u></u>

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

**Credit Risk** - Financial instruments that potentially subject the Agency to concentration of credit risk consist principally of cash and investments. From time to time, the Agency has 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).

**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.

**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.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### Note 2 - Continued

**Reclassifications** - Certain reclassifications were made to the December 31, 2013, 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 19, 2015, 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>2014</u>	<u>2013</u>
Cash	\$ 164,983	\$ 283,399
Government money market	<u>38,388</u>	<u>34,952</u>
	<u><u>\$ 203,371</u></u>	<u><u>\$ 318,351</u></u>

In addition, at December 31, 2014 and 2013, \$107,411 of cash was held for endowments and is included in cash restricted for endowment on the statements of financial position. See Note 9.

#### Note 4 - Investments and Fair Value Measurements

**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, 2014

---

#### Note 4 - Continued

Fair value (using Level 1 inputs) of assets and liabilities measured on a recurring basis were as follows at December 31:

	<u>2014</u>	<u>2013</u>
Investments at fair value (Level 1)-		
Money market funds	\$ 157,208	\$ 111,698
Mutual funds:		
Fixed income	1,873,901	1,859,784
Blend	299,728	279,521
International	302,468	227,640
REITS	112,864	64,560
Equity securities:		
Information technology	115,184	109,607
Health care	96,644	80,541
Consumer discretionary	82,514	77,473
Financials	96,670	122,441
Energy	35,860	52,414
Consumer staples	74,636	60,789
Industrials	59,001	85,716
Materials	27,888	35,650
Utilities	15,835	16,687
<b>Total Investments at Fair Value</b>	<b>3,350,401</b>	<b>3,184,521</b>
Investments at cost-		
Certificates of deposit	<u>499,945</u>	<u>499,945</u>
<b>Total Investments at Cost</b>	<b>499,945</b>	<b>499,945</b>
Investments valued using the equity method-		
CrossPath, LLC (See Note 5)	<u>54,181</u>	<u>17,371</u>
	<u><b>\$ 3,904,527</b></u>	<u><b>\$ 3,701,837</b></u>

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### Note 4 - Continued

Net realized and unrealized gains recognized for the year ended December 31, 2014, amounted to \$115,321 (\$150,034 in 2013). Dividends and interest recognized for the year ended December 31, 2014, amounted to \$77,481 (\$75,219 in 2013). 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, 2014, was \$36,810 (\$14,489 in 2013). The CrossPath, LLC investment balance at December 31, 2014 and 2013, was \$54,181 and \$17,371, 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.

In 2009, the Agency received a contribution for the right to use a building and parking lot from the City of Sammamish. The facility is used by CrossPath, LLC (see Note 5). 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.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### 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, all representing commitments from board members, are due as follows at December 31:

	<u>2014</u>	<u>2013</u>
Receivable due in less than one year	\$ 11,000	\$ 68,750
Less allowance for uncollectible pledges		<u>(10,000)</u>
	<u><u>\$ 11,000</u></u>	<u><u>\$ 58,750</u></u>

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

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

	<u>2014</u>	<u>2013</u>
Buildings - Bellevue and Kirkland	\$ 6,537,775	\$ 6,537,775
Furniture and equipment	249,585	223,062
Software	169,836	164,589
Land improvements	26,645	26,645
Electronic health records system (EHR)	<u>510,671</u>	
	7,494,512	6,952,071
Less accumulated depreciation	<u>(1,581,077)</u>	<u>(1,288,762)</u>
	5,913,435	5,663,309
Land - Kirkland	23,114	23,114
EHR in progress		<u>416,490</u>
	<u><u>\$ 5,936,549</u></u>	<u><u>\$ 6,102,913</u></u>

EHR in progress related to costs incurred for new software that was placed into service in early 2014.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### Note 8 - Continued

Depreciation and amortization expense included in the accompanying financial statements consisted of:

	<u>2014</u>	<u>2013</u>
Building, leasehold and land improvements	\$ 168,596	\$ 160,741
Furniture, equipment and software	<u>128,129</u>	<u>3,767</u>
	<u>\$ 296,725</u>	<u>\$ 164,508</u>

#### 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, on a long-term basis, 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.

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.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

#### Note 9 - Continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds, December 31, 2013	\$ -	\$ 1,224	\$ 107,411	\$ 108,635
Donor restricted endowment funds, December 31, 2014	\$ -	\$ 1,224	\$ 107,411	\$ 108,635

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, 2012	\$ -	\$ 1,056	\$ 107,411	\$ 108,467
Endowment investment return- Interest and dividends	_____	168	_____	168
<b>Endowment net assets, December 31, 2013</b>	_____	<b>1,224</b>	<b>107,411</b>	<b>108,635</b>
Endowment investment return- Interest and dividends	_____	_____	_____	_____
<b>Endowment Net Assets, December 31, 2014</b>	<u>\$ -</u>	<u>\$ 1,224</u>	<u>\$ 107,411</u>	<u>\$ 108,635</u>

**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, 2014 or 2013.

**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.

## YOUTH EASTSIDE SERVICES

### Notes to Financial Statements For the Years Ended December 31, 2014

---

#### Note 10 - Lease and Other Commitments

**Redmond Facility** - Effective October 1, 2013, the Agency signed a long-term office lease at a new location in Redmond through September 2023. The lease is subject to escalating rent payments and provided an allowance for tenant improvements.

Minimum required lease payments are as follows:

For the Year Ending December 31,	
2015	\$ 25,340
2016	30,092
2017	30,995
2018	31,925
2019	32,882
Thereafter	<u>132,235</u>
	<u><u>\$ 283,469</u></u>

Total rental expense for all facility leases was \$34,368 and \$35,791 for the years ended December 31, 2014 and 2013, respectively.

**Operating Leases** - The Organization leases four photocopiers under agreements expiring through August 2018. The agreements call for monthly payments totaling \$543. Rental expense was \$7,512 and \$930 for the years ended December 31, 2014 and 2013, respectively.

**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 \$29,473 and \$47,916 in 2014 and 2013, 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 \$6,813 and \$7,661 in 2014 and 2013, respectively.

## **YOUTH EASTSIDE SERVICES**

### **Notes to Financial Statements For the Years Ended December 31, 2014**

---

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

Support and revenue includes \$2,170,154 and \$2,130,159 of government grants and contracts for 2014 and 2013, respectively. This represents 49% and 46% of total operating public support and revenue, respectively.

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

During the year, the Agency had fundraising events that grossed revenues of \$615,972 (\$541,266 in 2013) and had expenses of \$73,200 (\$75,835 in 2013). Expenses are included in special event expenses on the statements of functional expenses for both years ended December 31, 2014 and 2013. The Agency also had \$20,500 released from temporary restricted net assets to unrestricted net assets during the year ended December 31, 2014, relating to 2014 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, 2014 and 2013, the Agency had \$73,529 and \$69,709, 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, 2014; therefore, no accrual for liabilities has been made.

#### **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, 2014  
(With Comparative Totals for December 31, 2013)**

	Youth And Family Counseling	Outreach/ Prevention/ Community Education	Substance Abuse Services	Program Services Expenses	
				2014	2013
Professional staff salaries	\$ 884,601	\$ 522,167	\$ 556,261	\$ 1,963,029	\$ 1,985,586
Donated services	184,762	12,999	11,714	209,475	334,971
Employee benefits	116,151	73,657	57,611	247,419	286,603
Payroll taxes	76,605	43,914	48,266	168,785	156,519
<b>Total Salaries, Donated Services and Related Expenses</b>	<b>1,262,119</b>	<b>652,737</b>	<b>673,852</b>	<b>2,588,708</b>	<b>2,763,679</b>
Professional services	89,624	14,356	34,766	138,746	89,446
Occupancy	61,534	26,512	38,769	126,815	106,408
Youth activities and events	3,075	4,914	1,686	9,675	44,499
Communications	20,624	10,951	11,140	42,715	40,464
Minor equipment and maintenance	8,304	7,333	4,832	20,469	31,631
Trainings, conferences and meetings	3,804	3,978	3,595	11,377	29,180
Printing and publications	2,154	1,194	1,548	4,896	7,780
Supplies	11,156	5,156	5,707	22,019	25,800
Miscellaneous	6,371	2,158	5,105	13,634	17,975
Professional liability insurance	9,175	9,175	5,097	23,447	23,079
Transportation	2,885	8,039	1,843	12,767	15,436
Licenses and fees	5,105	736	4,716	10,557	13,215
Postage	2,793	698	2,275	5,766	7,239
Advertising	1,240	1,781	943	3,964	4,880
Laboratory fees			4,138	4,138	6,039
Agency dues	204	151	92	447	2,363
<b>Total Expenses Before Contributed Facilities and Depreciation and Amortization</b>	<b>1,490,167</b>	<b>749,869</b>	<b>800,104</b>	<b>3,040,140</b>	<b>3,229,113</b>
Contributed facilities	33,301	13,800	28,701	75,802	75,803
Contributed facilities - CrossPath, LLC	11,290		11,290	22,580	22,579
Depreciation and amortization	155,961	39,391	57,245	252,597	129,014
<b>Total Expenses</b>	<b>\$ 1,690,719</b>	<b>\$ 803,060</b>	<b>\$ 897,340</b>	<b>\$ 3,391,119</b>	<b>\$ 3,456,509</b>

See independent auditor's report.