

# **Youable Emotional Health Services**

Richfield, Minnesota

---

Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2023 and 2022



**CERTIFIED PUBLIC ACCOUNTANTS**

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1-2
EXHIBIT A:        Statements of Financial Position – June 30, 2023 and 2022.....	3
EXHIBIT B:        Statements of Activities and Changes in Net Assets – For the Years Ended June 30, 2023 and 2022 .....	4
EXHIBIT C:        Statement of Functional Expense – For the Year Ended June 30, 2023 with Comparative Totals for 2022.....	5
EXHIBIT D:        Statement of Functional Expense – For the Year Ended June 30, 2022 .....	6
EXHIBIT E:        Statements of Cash Flows – For the Years Ended June 30, 2023 and 2022 .....	7
NOTES TO FINANCIAL STATEMENTS.....	8-18



Carpenter, Evert & Associates

Certified Public Accountants

7760 France Avenue S. Suite 940 Bloomington Minnesota 55435

952.831.0085 [carpenterevert.com](http://carpenterevert.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Youable Emotional Health Services  
Richfield, Minnesota

### **Opinion**

We have audited the accompanying financial statements of Youable Emotional Health Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youable Emotional Health Services as of June 30, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youable Emotional Health Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youable Emotional Health Services's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youable Emotional Health Services's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youable Emotional Health Services's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Coyote Ent and Ad. Ltd.*

Certified Public Accountants

Minneapolis, Minnesota  
December 20, 2023

YOUABLE EMOTIONAL HEALTH SERVICES  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

EXHIBIT A

<u>ASSETS</u>	2023	2022
Current Assets:		
Cash	\$ 61,849	\$ 1,011,171
Contracts Receivable - Net	297,432	276,438
Client Service Receivable - Net	1,366,739	2,132,318
Fiscal Agent Receivable - Custodial Funds	13,579	20,092
Prepaid Expenses	90,513	107,881
Total Current Assets	1,830,112	3,547,900
Land, Buildings and Equipment - Net	249,688	364,694
Right of Use Asset	1,095,868	-
TOTAL ASSETS	\$ 3,175,668	\$ 3,912,594
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current Portion of Long-term Debt	\$ 330,854	\$ 417,504
Accounts Payable	166,329	246,285
Accrued Expenses	362,548	415,873
Operating Lease Liabilities	235,121	-
Total Current Liabilities	1,094,852	1,079,662
Long-term Liabilities:		
Operating Lease Liabilities	882,017	-
Long-term Debt, Net of Current Maturities	300,000	505,175
Total Liabilities	2,276,869	1,584,837
Net Assets:		
Without Donor Restrictions		
Board Designated - Operating Reserve	530,000	530,000
Undesignated	343,165	1,760,764
Total Without Donor Restrictions	873,165	2,290,764
With Donor Restrictions		
Total Net Assets	25,634	36,993
TOTAL LIABILITIES AND NET ASSETS	\$ 3,175,668	\$ 3,912,594

The accompanying Notes to Financial Statements  
are an integral part of these statements.

YOUABLE EMOTIONAL HEALTH SERVICES  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Net Service Revenue	\$ 8,791,685	\$ -	\$ 8,791,685	\$ 10,863,234	\$ -	\$ 10,863,234
Government Grants and Contracts	1,186,437	-	1,186,437	1,850,464	-	1,850,464
Contributions of Cash and other Financial Assets	84,982	17,647	102,629	73,751	26,335	100,086
Contributions of Nonfinancial Assets	141,084	-	141,084	65,387	-	65,387
Other Revenue	398,730	-	398,730	55,309	-	55,309
Net Assets Released from Purpose Restrictions	29,006	(29,006)	-	3,237	(3,237)	-
Total Support and Revenue	10,631,924	(11,359)	10,620,565	12,911,382	23,098	12,934,480
Expense:						
Program Services						
Mental Health Services	4,363,457	-	4,363,457	4,465,556	-	4,465,556
Educational Support Services	2,281,815	-	2,281,815	3,176,695	-	3,176,695
Family Support Services	3,562,264	-	3,562,264	3,348,857	-	3,348,857
Total Program Services	10,207,536	-	10,207,536	10,991,108	-	10,991,108
Support Services:						
Management and General	1,772,832	-	1,772,832	1,875,687	-	1,875,687
Fundraising	69,155	-	69,155	64,121	-	64,121
Total Support Services	1,841,987	-	1,841,987	1,939,808	-	1,939,808
Total Expense	12,049,523	-	12,049,523	12,930,916	-	12,930,916
Change in Net Assets	(1,417,599)	(11,359)	(1,428,958)	(19,534)	23,098	3,564
Net Assets - Beginning of Year	2,290,764	36,993	2,327,757	2,310,298	13,895	2,324,193
Net Assets - End of Year	\$ 873,165	\$ 25,634	\$ 898,799	\$ 2,290,764	\$ 36,993	\$ 2,327,757

The accompanying Notes to Financial Statements  
are an integral part of these statements.

YOUABLE EMOTIONAL HEALTH SERVICES  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023							2022	
	Program Services				Support Services			Total All Services	Total All Services
	Mental Health Services	Educational Support Services	Family Support Services	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries and Wages	\$ 2,892,798	\$ 1,345,721	\$ 2,349,363	\$ 6,587,882	\$ 764,170	\$ 17,159	\$ 781,329	\$ 7,369,211	\$ 7,967,527
Employee Benefits and Payroll Tax	546,510	233,011	420,781	1,200,302	115,288	2,784	118,072	1,318,374	1,551,529
Total Personnel Expense	3,439,308	1,578,732	2,770,144	7,788,184	879,458	19,943	899,401	8,687,585	9,519,056
Office Systems	304,444	149,793	292,784	747,021	69,639	-	69,639	816,660	876,395
Bad Debt Expense	374,477	141,136	239,146	754,759	-	-	-	754,759	199,182
Outside Services	89,703	25,864	33,767	149,334	492,551	41,231	533,782	683,116	700,304
Facilities	82,540	282,614	97,888	463,042	213,656	4,564	218,220	681,262	1,196,722
Travel and Training	30,657	71,346	84,126	186,129	6,572	-	6,572	192,701	201,207
Other Expenses	13,692	7,740	19,575	41,007	91,731	-	91,731	132,738	143,048
Supplies	28,636	24,590	24,834	78,060	19,225	3,417	22,642	100,702	95,002
Total Expense	<u>\$ 4,363,457</u>	<u>\$ 2,281,815</u>	<u>\$ 3,562,264</u>	<u>\$ 10,207,536</u>	<u>\$ 1,772,832</u>	<u>\$ 69,155</u>	<u>\$ 1,841,987</u>	<u>\$ 12,049,523</u>	<u>\$ 12,930,916</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

YOUABLE EMOTIONAL HEALTH SERVICES  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>				<u>Support Services</u>			<u>Total All Services</u>
	<u>Mental Health Services</u>	<u>Educational Support Services</u>	<u>Family Support Services</u>	<u>Total Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total Support Services</u>	
Salaries and Wages	\$ 3,086,471	\$ 1,810,414	\$ 2,272,986	\$ 7,169,871	\$ 779,984	\$ 17,672	\$ 797,656	\$ 7,967,527
Employee Benefits and Payroll Tax	621,172	334,678	466,994	1,422,844	125,892	2,793	128,685	1,551,529
Total Personnel Expense	<u>3,707,643</u>	<u>2,145,092</u>	<u>2,739,980</u>	<u>8,592,715</u>	<u>905,876</u>	<u>20,465</u>	<u>926,341</u>	<u>9,519,056</u>
Office Systems	324,989	197,601	289,603	812,193	64,202	-	64,202	876,395
Bad Debt Expense	89,574	81,563	28,045	199,182	-	-	-	199,182
Outside Services	76,838	33,160	22,338	132,336	528,537	39,431	567,968	700,304
Facilities	191,567	572,175	167,298	931,040	264,398	1,284	265,682	1,196,722
Travel and Training	31,741	100,523	62,345	194,609	6,598	-	6,598	201,207
Other Expenses	16,354	17,650	21,884	55,888	87,160	-	87,160	143,048
Supplies	26,850	28,931	17,364	73,145	18,916	2,941	21,857	95,002
Total Expense	<u>\$ 4,465,556</u>	<u>\$ 3,176,695</u>	<u>\$ 3,348,857</u>	<u>\$ 10,991,108</u>	<u>\$ 1,875,687</u>	<u>\$ 64,121</u>	<u>\$ 1,939,808</u>	<u>\$ 12,930,916</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

YOUABLE EMOTIONAL HEALTH SERVICES  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

EXHIBIT E

	<u>2023</u>	<u>2022</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,428,958)	\$ 3,564
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Bad Debt Expense	754,759	199,182
Depreciation	141,256	187,953
Change in Operating Leases	21,270	-
(Increase) Decrease in Current Assets:		
Contracts Receivable	(20,994)	70,412
Client Service Receivable	10,820	(317,541)
Fiscal Agent Receivable - Custodial Funds	6,513	405
Prepaid Expenses	17,368	87,504
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(79,956)	(199,641)
Accrued Expenses	<u>(53,325)</u>	<u>(251,985)</u>
Net Cash (Used) by Operating Activities	<u>(631,247)</u>	<u>(220,147)</u>
Cash Flows from Investing Activities:		
Purchases of Equipment and Building Improvements	<u>(26,250)</u>	<u>(199,233)</u>
Net Cash (Used) by Investing Activities	<u>(26,250)</u>	<u>(199,233)</u>
Cash Flows from Financing Activities:		
Repayment of Debt	<u>(291,825)</u>	<u>(178,013)</u>
Net Cash (Used) by Financing Activities	<u>(291,825)</u>	<u>(178,013)</u>
Net (Decrease) in Cash	(949,322)	(597,393)
Cash - Beginning of year	<u>1,011,171</u>	<u>1,608,564</u>
Cash - Ending of year	<u>\$ 61,849</u>	<u>\$ 1,011,171</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 23,804</u>	<u>\$ 39,264</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies

Youable Emotional Health Services (Youable) provides comprehensive mental health care in the Twin Cities area. Our mission is empowering people of all ages to live an emotionally healthy life.

Founded in 1970, Youable today is a highly integrated, collaborative organization with a professional, diverse staff of over 150 employees at June 30, 2023 and over 175 employees at June 30, 2022. We help those who are facing challenges in their personal or family lives with programming and services that address mental health issues, parenting issues, psychological assessments, divorce, a difficult teen, physical abuse, sexual abuse, unhealthy relationships and more. Youable has locations in Brooklyn Center, Golden Valley, Richfield and Hopkins, and also provides services in more than 60 schools and other community-based locations throughout the Twin Cities.

Youable provided direct mental health services to over 6,000 unique clients in FY 2023 and FY 2022. Youable self-reported data indicated that of the clients who racially identified, 50% of our clients were non-white in FY 2023 and FY 2022. Youable is a Minnesota Essential Community Provider and committed to provide services to all who request it.

Each day, Youable touches the lives of hundreds of people in the Twin Cities area, helping them overcome obstacles in their lives through treatment, intervention and education. Our programs fall under three focus areas: Mental Health, Family Support and Educational Support. Our clients can also be grouped: Children and Adolescents, Adults, and Couples and Family

MENTAL HEALTH: Youable's Mental Health services include:

Children and Adolescents:

Outpatient Counseling: Youable offers highly effective general outpatient therapy and counseling for children and teens who are depressed, have neurological or behavioral issues, have been sexually or physically abused or neglected, or have severe mental health issues. Outpatient Counseling for children and adolescents includes therapists who specialize in: play, Family and Group Therapy; Anger Management; Sexual Abuse Treatment; and Adolescent Dialectical Behavioral Therapy, an innovative program of individual therapy, skills groups and coaching for youth who are suicidal, self-injurious and have difficulty managing their emotions and sustaining relationships.

In-School: School-based services address school success, truancy, mental health and chemical dependency through support, advocacy and case management. Youable therapists are working daily in more than 60 schools, primarily in the Anoka/Hennepin, Bloomington and Burnsville school districts, with services also provided at individual schools in other districts.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

Psychological Assessment & Testing: Psychological assessment and testing is conducted by a Clinical Psychologist. Assessments include risk, diagnostic, psychosexual, and adult certification of juveniles. Testing includes neuro-behavioral, cognitive, objective and projective personality, diagnostic and parent/teacher behavioral reports.

Adults:

Outpatient Counseling: Youable's mental health professionals offer highly effective general outpatient therapy and counseling for individuals looking for emotional and mental health support.

Dialectical Behavioral Therapy (DBT): Individual therapy, skills groups and coaching for men and women who are suicidal, self-injurious and have difficulty managing their emotions and sustaining relationships.

Psychological Assessment & Testing: Psychological assessment and testing is conducted by a clinical psychologist.

Medication Management: Services include assessment, prescriptions, and medication monitoring including managing dosage changes.

Other Adult Services: Group Therapy, specialty interventions such as DBT and EMDR.

EDUCATIONAL SUPPORT: Youable's Educational Support services include:

Day Treatment: Programming for children grades 7-12 who are experiencing significant emotion and mental health issues that make it difficult to succeed in a mainstream school setting and cannot be resolved in a standard outpatient mental health setting.

In-School: School-based services address school success, truancy, mental health and chemical dependency through support, advocacy and case management.

Truancy Services: Youable provides Truancy Case Management to Hennepin County clients through the counties' Be @ School initiative. We work with K-12 students and their families to identify the root issues of the truancy, develop plans and find resources to assist.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (continued)

FAMILY SUPPORT: Youable's Family Support services include:

Case Management: Mental Health Case Management Services' staff provide guidance and support for families whose children are at risk for abuse or neglect, and for those with children who have severe and long-term mental health needs.

Healthy Families: Youable is a member of the Hennepin Healthy Families Home Visiting Program, which services young children from prenatal to four and their first-time parents who are dealing with multiple challenges. Our trained home visitors provide long-term, clinically-supervised, intensive home visits that focus on strengths- and relationship-building.

Diversion: Non-violent juvenile offenders ages 10-17 are referred to Youable by Hennepin County for services ranging from restorative justice programming to diversion groups to outpatient therapy.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Youable, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restriction – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Youable reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

Youable is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxes on related income accordingly. Youable is also exempt from state income taxes under similar provisions in the Minnesota Statutes. Youable has elected to adopt guidance in the income standard regarding the recognition and measurement of uncertain tax positions. Youable follows the accounting standard for contingencies for evaluating uncertain tax positions. The adoption of this standard has no effect on the financial statements.

Cash and Cash Equivalents

Cash consists of cash, money market accounts, and all highly liquid securities purchased with an original maturity of 90 days or less. Cash and cash equivalents are stated at cost which approximates fair value.

Accounts Receivable

Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and Youable does not charge interest on accounts receivable balances. Youable reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. Accounts receivable are net of the allowance for doubtful accounts and contractual adjustments of \$277,226 at June 30, 2023 and \$339,465 at June 30, 2022. Bad debt expense was \$754,759 for the fiscal year ended June 30, 2023 and \$199,182 for the fiscal year ended June 30, 2022. Accounts receivable are pledged as collateral against Youable's line-of-credit payable and installment note payable balance.

Fiscal Agency Receivable and Payable

An asset and/or liability is recorded for certain assets for which Youable acts as an agent. The related agreements have stipulations that the assets be passed on to certain individuals or entities as directed by the sponsoring organization. Fiscal agency transactions resulted in a net receivable of \$13,579 and \$20,092 at June 30, 2023 and 2022, respectively.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Equipment in excess of \$1,000 is recorded at cost if purchased or at estimated market value at date of contribution if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. All equipment purchases less than \$1,000 are expensed. Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

Buildings and Improvements	5 – 33 Years
Leasehold Improvements	3 – 10 Years
Furniture and Office Equipment	3 – 7 Years
Automobiles	5 Years

Functional Allocation of Expense

Functional expenses have been directly coded to specific functions whenever possible. Expenses which cannot be directly identified to a specific function are allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Revenue and Revenue Recognition

Youable recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Youable records contributed nonfinancial assets at fair market value at the date of donation. Youable's policy related to contributed nonfinancial assets is to utilize the assets given to carry out the mission of Youable. If an asset is provided that does not allow Youable to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

Net Service Revenue

Client and medical assistance fees are recorded at standard hourly rates. When the services are rendered, discounts are recorded to reduce client fees for allowable discounts based on the difference between the usual and customary charges and the clients' ability to pay, as determined by a sliding fee scale. Discounts are also recorded for contractual discounts as negotiated with third-party payors and medical assistance. Charity services are defined as services that Youable discounts or provides for free to under-insured or un-insured clients to assist them in receiving treatment. Charity services also include client service Youable provides in excess of contractual funding limits. Youable elects to continue to serve clients once funding is exhausted.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Government Grants and Contracts

Government grants and contracts are recorded as contributions. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, Youable will record such disallowance at the time the final assessment is made.

Unemployment Compensation Self-Insurance

Youable has elected to self-fund their unemployment claims through reimbursing the State of Minnesota based on actual unemployment claims paid by the State to former Youable employees.

Leases

Youable determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. The operating lease expense is recognized on a straight-line basis over the lease term. Youable does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Concentrations of Credit Risk

Youable maintains cash balances at Bremer Bank which is insured by the federal deposit insurance corporation up to \$250,000. Youable also maintains an insured cash sweep (ICS) account at Bremer that divides the money on deposit in to amounts not exceeding \$250,000 with any one financial institution at the end of each business day.

Youable is also subject to risk with respect to concentration of accounts receivable and net service revenue, which is dependent on a series of contracts with third-party payers. This is typical in the industry in which Youable operates.

Subsequent Events

Youable has evaluated the effect that subsequent events would have on the financial statements through December 20, 2023, which is the date financial statements were available to be issued.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

In the year ended June 30, 2023, Youable adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. Youable elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, Youable recognized right-of-use assets of \$442,135 and lease liabilities totaling \$452,815 in its statement of financial position as July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

2. Land, Buildings and Equipment

Youable owned the following as of:

	June 30,	
	2023	2022
Land	\$ 50,000	\$ 50,000
Buildings	389,097	389,097
Building Improvements	1,335,746	1,329,196
Equipment and Furniture	447,759	428,058
Automobiles	-	42,491
Leasehold Improvements	567,610	567,610
	2,790,212	2,806,452
Less: Accumulated Depreciation	2,540,524	2,441,758
Land, Buildings and Equipment - Net	\$ 249,688	\$ 364,694

Depreciation expense was \$141,256 and \$187,953 for the years ended June 30, 2023 and 2022, respectively.

3. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following purposes as of:

	June 30,	
	2023	2022
Home Visiting Program	\$ 15,000	\$ 20,000
Staff Development	10,634	16,993
	\$ 25,634	\$ 36,993

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

4. Board Designated Net Assets

The Board of Directors have adopted an operating reserve policy for net assets without donor restrictions. The designated balance are as follows as of:

	June 30,	
	2023	2022
Operating Reserve	\$ 530,000	\$ 530,000

5. Retirement Plan

Youable maintains a 401(k) qualified retirement plan covering all staff that meet eligibility requirements. The plan is funded by elective employee contributions and employer match of employee contributions up to 3% of employee compensation. The employer amount contributed to this plan was \$155,408 and \$179,423 for the years ended June 30, 2023 and 2022, respectively.

6. Rental Income

Youable leases office space at their Richfield office building to an unrelated third party through December 31, 2025.

Minimum future rental receipts for the lease is as follows:

<u>Due in the Year Ending June 30,</u>	
2024	\$ 32,386
2025	33,033
2026	16,680
Total	\$ 82,099

7. Contributions of Nonfinancial Assets

Youable received approximately \$141,084 for the fiscal year ended June 30, 2023 and \$65,387 for the fiscal year ended June 30, 2022 of in-kind salary contributions from internship positions and other professional services. The contributed nonfinancial assets were utilized for programs during the years ended June 30, 2023 and 2022 and have no donor restrictions. Values were based on the current market rates Youable would have paid for the same services if they were not donated.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

8. Long-Term Debt

The breakdown of notes payable is as follows as of:

	June 30,	
	2023	2022
Mortgage note payable to Bremer Bank, payable in monthly installments of \$13,366, including interest at 4.35% and principal with unpaid principal and interest due on February 1, 2024. The note is secured by land, building and equipment.	\$ 105,175	\$ 257,264
Promissory note payable to Propel Nonprofits, payable in monthly installments of \$3,699, including interest at 6.5% and principal, with unpaid principal and interest due on September 16, 2022. The note is secured by Youable's assets.	-	165,415
\$625,000 variable interest rate line-of-credit with Bremer Bank that expires on February 1, 2024. Interest is due monthly with unpaid principal and interest due at maturity. Interest rate at June 30, 2023 was 7.75%. The line-of-credit is secured by all assets.	125,679	-
2.5% note payable to Otto Bremer Trust. Interest calculated on unpaid principal balance and interest payments due every January and July from 2023 through 2027. The final payment is due January 15, 2027. The note is unsecured.	400,000	500,000
	630,854	922,679
Less Portion Due Within One (1) Year	330,854	417,504
Long-term Portion	\$ 300,000	\$ 505,175

Principal payments required are as follows:

Due in the Year Ending June 30,

2024	\$ 330,854
2025	100,000
2026	100,000
2027	100,000
Total	\$ 630,854

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

9. Liquidity and Availability

The following represents Youable's financial assets as of:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash	\$ 61,849	\$ 1,011,171
Contracts Receivable - Net	297,432	276,438
Client Service Receivable - Net	<u>1,366,739</u>	<u>2,132,318</u>
	1,726,020	3,419,927
Less: Assets not available to be used within one year:		
Board - Designated Operating Reserve	530,000	530,000
Net Assets With Donor Restrictions	<u>25,635</u>	<u>36,993</u>
Total Assets not available to be used within one year	<u>555,635</u>	<u>566,993</u>
Financial assets available for general expenditures		
Within one year	<u>\$ 1,170,385</u>	<u>\$ 2,852,934</u>

Youable has certain net assets with donor restrictions limited to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the qualitative information above for financial assets to meet general expenditures within one year.

The board-designated reserve is not considered available for use within one year, but these amounts could be made available if necessary by board action.

As part of Youable's liquidity plan, Youable has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

10. Operating Leases

Youable evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent Youable's right to use underlying assets for the lease term, and the lease liabilities represent Youable's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. Youable has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023, was 2.3%.

Youable's operating lease consist of leases for office space and equipment.

For the year ended June 30, 2023, total operating lease cost was \$359,361. As of June 30, 2023, the weighted-average remaining lease term for Youable's operating leases was approximately 4.31 years.

YOUABLE EMOTIONAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

10. Operating Leases (continued)

Cash paid for operating leases for the year ended June 30, 2023 was \$373,896. There were no noncash investing and financing transactions related to leasing other than the transition entry described in note 1.

Maturities of operating lease liabilities as of June 30, 2023:

Year Ending June 30:

2024	\$ 235,121
2025	270,188
2026	147,318
2027	147,012
2028	135,199
2029 and beyond	<u>306,177</u>
Total Lease Payments	1,241,015
Less Present Value Discount	<u>123,877</u>
Present Value of Lease Liabilities	<u><u>\$ 1,117,138</u></u>