

LAKES CENTER FOR YOUTH & FAMILIES
REVIEWED FINANCIAL STATEMENTS
December 31, 2016 and 2015

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lakes Center for Youth & Families
(formerly Lakes Area Youth Service Bureau, Inc.)
Forest Lake, Minnesota

We have reviewed the accompanying financial statements of Lakes Center for Youth & Families (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Harrington Langer & Associates
March 16, 2017

LAKES CENTER FOR YOUTH FAMILIES
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 295,634	\$ 393,541
Minnesota lawful gambling account	33,064	30,693
Certificates of deposit	170,005	170,005
Accounts receivable	13,595	21,170
Prepaid expenses	4,898	6,955
TOTAL CURRENT ASSETS	517,196	622,364
PROPERTY AND EQUIPMENT, at cost		
Construction work in progress	99,745	-
Leasehold improvements	155,301	155,301
Furniture and equipment	93,735	93,735
	348,781	249,036
Less: accumulated depreciation	(248,290)	(248,099)
TOTAL PROPERTY AND EQUIPMENT, net	100,491	937
OTHER ASSETS		
Investments - deferred compensation	15,246	12,548
Investments - held at community foundation	85,940	83,953
TOTAL OTHER ASSETS	101,186	96,501
TOTAL ASSETS	\$ 718,873	\$ 719,802

See accompanying notes and
independent accountant's review report

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued payroll expenses	\$ 29,557	\$ 23,917
Unspent gambling proceeds	<u>32,379</u>	<u>30,693</u>
TOTAL CURRENT LIABILITIES	61,936	54,610
OTHER LIABILITIES		
Deferred compensation	<u>15,246</u>	<u>12,548</u>
TOTAL LIABILITIES	<u>77,182</u>	<u>67,158</u>
NET ASSETS		
Unrestricted:		
Designated	141,274	199,869
Undesignated	<u>332,261</u>	<u>263,769</u>
Total unrestricted	473,535	463,638
Temporarily restricted	<u>168,156</u>	<u>189,006</u>
TOTAL NET ASSETS	<u>641,691</u>	<u>652,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 718,873</u></u>	<u><u>\$ 719,802</u></u>

LAKES CENTER FOR YOUTH FAMILIES**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

(With comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
SUPPORT AND REVENUE				
Program Revenue:				
Counties	\$ 67,736	\$ -	\$ 67,736	\$ 64,153
Municipalities	34,250	-	34,250	33,750
Schools	2,740	-	2,740	4,695
State of Minnesota	50,000	-	50,000	82,027
Client fees paid	62,988	-	62,988	53,800
Support:				
Contributions	106,791	-	106,791	69,801
Foundation grants	64,250	-	64,250	81,777
United Way	-	-	-	25,000
In-kind donations	45,987	-	45,987	38,590
Other Income:				
Investment income (loss), net of fees	1,067	4,987	6,054	(197)
Special events, net of expenses of \$6,768 and \$5,050, respectively	37,754	-	37,754	30,924
Miscellaneous	4,049	-	4,049	7,486
Gambling proceeds, net	122,948	-	122,948	93,660
Net assets released from restrictions	25,837	(25,837)	-	-
TOTAL SUPPORT AND REVENUE	<u>626,397</u>	<u>(20,850)</u>	<u>605,547</u>	<u>585,466</u>
EXPENSES				
Program services	531,088	-	531,088	458,457
General and administrative	32,461	-	32,461	32,678
Fundraising and development	52,951	-	52,951	57,319
TOTAL EXPENSES	<u>616,500</u>	<u>-</u>	<u>616,500</u>	<u>548,454</u>
CHANGE IN NET ASSETS	9,897	(20,850)	(10,953)	37,012
NET ASSETS, BEGINNING OF YEAR	<u>463,638</u>	<u>189,006</u>	<u>652,644</u>	<u>615,632</u>
NET ASSETS, END OF YEAR	<u>\$ 473,535</u>	<u>\$ 168,156</u>	<u>\$ 641,691</u>	<u>\$ 652,644</u>

See accompanying notes and
independent accountant's review report

LAKES CENTER FOR YOUTH FAMILIES**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>
SUPPORT AND REVENUE			
Program Revenue:			
Counties	\$ 64,153	\$ -	\$ 64,153
Municipalities	33,750	-	33,750
Schools	4,695	-	4,695
State of Minnesota	82,027	-	82,027
Client fees paid	53,800	-	53,800
Support:			
Contributions	69,801	-	69,801
Foundation grants	63,444	18,333	81,777
United Way	25,000	-	25,000
In-kind donations	38,590	-	38,590
Other Income:			
Investment income (loss)	2,214	(2,411)	(197)
Special events, net of expenses of \$5,050	30,924	-	30,924
Miscellaneous	7,486	-	7,486
Gambling proceeds	93,660	-	93,660
Net assets released from restrictions	9,781	(9,781)	-
	<u>579,325</u>	<u>6,141</u>	<u>585,466</u>
TOTAL SUPPORT AND REVENUE			
	<u>579,325</u>	<u>6,141</u>	<u>585,466</u>
EXPENSES			
Program services	458,457	-	458,457
General and administrative	32,678	-	32,678
Fundraising and development	57,319	-	57,319
	<u>548,454</u>	<u>-</u>	<u>548,454</u>
TOTAL EXPENSES			
	<u>548,454</u>	<u>-</u>	<u>548,454</u>
CHANGE IN NET ASSETS	30,871	6,141	37,012
NET ASSETS, BEGINNING OF YEAR	<u>432,767</u>	<u>182,865</u>	<u>615,632</u>
NET ASSETS, END OF YEAR	<u><u>\$ 463,638</u></u>	<u><u>\$ 189,006</u></u>	<u><u>\$ 652,644</u></u>

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independent accountant's review report

LAKES CENTER FOR YOUTH FAMILIES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,953)	\$ 37,012
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated securities	-	(2,922)
Depreciation	191	1,375
Realized and unrealized investment (gain) loss	(6,274)	235
Change in:		
Accounts receivable	7,575	(27)
Prepaid expenses	2,057	2,283
Accrued payroll expenses	5,640	(6,394)
Other current liability	1,686	920
	NET CASH PROVIDED BY (USED IN)	OPERATING ACTIVITIES
	(78)	32,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,287	9,098
Proceeds from certificates of deposit	100,000	200,000
Purchase of certificate of deposit	(100,000)	(100,000)
Purchase of property and equipment	(99,745)	-
	NET CASH PROVIDED BY (USED IN)	INVESTING ACTIVITIES
	(95,458)	109,098
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,536)	141,580
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	424,234	282,654
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 328,698	\$ 424,234
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Income taxes paid	\$ 24,203	\$ 32,013

See accompanying notes and independent accountant's review report

LAKES CENTER FOR YOUTH FAMILIES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(With comparative totals for 2015)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total 2016</u>	<u>Total 2015</u>
Salaries	\$ 327,858	\$ 19,760	\$ 11,856	\$ 359,474	\$ 317,447
Payroll taxes	25,789	1,554	933	28,276	21,983
Employee benefits	34,635	4,755	2,854	42,244	39,391
Total personnel costs	388,282	26,069	15,643	429,994	378,821
Contracted services	24,122	1,265	9,524	34,911	34,412
Insurance	8,450	509	306	9,265	6,300
Supplies	6,087	241	144	6,472	8,306
Travel	3,161	191	114	3,466	3,482
Training	1,452	88	53	1,593	1,049
Meetings	3,727	225	135	4,087	4,146
Dues and memberships	1,664	100	60	1,824	2,525
Printing	1,092	66	450	1,608	7,685
Postage	1,915	115	162	2,192	2,082
Equipment maintenance	10,289	620	372	11,281	11,916
Building rents	8,477	511	307	9,295	3,972
In-kind rents	30,554	1,841	1,105	33,500	33,500
Depreciation	174	11	6	191	1,375
Repairs and maintenance	600	36	22	658	2,109
Utilities	6,768	408	245	7,421	7,988
Miscellaneous	2,758	165	100	3,023	6,773
Tried and True, LLC expenses	31,516	-	-	31,516	-
Gambling expenses	-	-	24,203	24,203	32,013
Total expenses	<u>\$ 531,088</u>	<u>\$ 32,461</u>	<u>\$ 52,951</u>	<u>\$ 616,500</u>	<u>\$ 548,454</u>

See accompanying notes and
independent accountant's review report

LAKES CENTER FOR YOUTH FAMILIES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total 2015</u>
Salaries	\$ 286,825	\$ 19,139	\$ 11,483	\$ 317,447
Payroll taxes	19,863	1,325	795	21,983
Employee benefits	<u>31,259</u>	<u>5,081</u>	<u>3,051</u>	<u>39,391</u>
Total personnel costs	337,947	25,545	15,329	378,821
Contracted services	26,676	1,465	6,271	34,412
Insurance	5,692	380	228	6,300
Supplies	7,773	332	201	8,306
Travel	3,146	210	126	3,482
Training	948	63	38	1,049
Meetings	3,746	250	150	4,146
Dues and memberships	2,282	152	91	2,525
Printing	7,530	97	58	7,685
Postage	1,608	107	367	2,082
Equipment maintenance	10,767	718	431	11,916
Building rents	3,589	239	144	3,972
In-kind rents	30,269	2,020	1,211	33,500
Depreciation	1,242	83	50	1,375
Repairs and maintenance	1,906	127	76	2,109
Utilities	7,217	482	289	7,988
Miscellaneous	6,119	408	246	6,773
Gambling expenses	<u>-</u>	<u>-</u>	<u>32,013</u>	<u>32,013</u>
Total expenses	<u>\$ 458,457</u>	<u>\$ 32,678</u>	<u>\$ 57,319</u>	<u>\$ 548,454</u>

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Lakes Center for Youth & Families (formerly Lakes Area Youth Service Bureau, Inc.) (the Organization) is a non-profit organization whose mission is to “Ensure the Success of Youth.” Its goal is to strengthen relationships, increase a youth’s sense of belonging and worth, and help them to develop a sense of mastery by focusing on multiple supportive relationships with adults and peers, creating meaningful opportunities for involvement and membership, and providing challenging and engaging activities and learning experiences in a safe, nurturing environment.

The Organization provides a holistic array of supports that have been proven, through evidence-based research, to contribute to improved long-term outcomes (Youth Development Strategies, Inc.) in adulthood including economic self-sufficiency, healthy family and social relationships, and community involvement. Successful program participants will have the resiliency to "bounce back from life's challenges" with a "growing sense of healthy identity." Building resilient youth and families involves building skills and creating positive connections with the larger community. At the Organization, youth will develop stronger community connections, understand the impact of their actions and behavior, and build a stronger sense of self by learning new skills and enjoy positive, supervised experiences.

Teen Enrichment and Leadership Programs include after-school, summer and volunteer opportunities. A Youth Advisory Board helps staff identify service gaps and opportunities as well as plan and implement projects. Teens participate in guided, but teen lead, service opportunities which include working with younger children as program counselors at Safety Camp, advocating for tobacco free parks and other important community concerns. Younger teens participate in the Job Connection program assisting senior citizens and handicapped adults with household chores or the World of Work job readiness and job search seminar. After-school enrichment activities occur year-round, with an emphasis on building healthy relationships, relevant learning and meaningful involvement. Activities include FUSION (teenagers discuss topics and/or perform service projects with adult volunteers), Day at the Capital, lock-in nights for junior high school youth, and other activities such as fishing outings. The Organization helps youth develop positive relationships through “Making Connections,” a formal mentoring program, “Hidden Heroes,” an e-mentoring program, and “organic” mentoring where youth and positive adult role models develop a special bond through the Organization enrichment activities.

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Youth Community Justice Program engages the community in dealing with youth misconduct that would otherwise result in a visit to court. The process involves the youth, parents, victims and/or community representatives. Youth agree to accept responsibility for their actions and a plan is developed. The plan may include educational classes, restitution, community service, peer groups, parenting classes, individual, family or group counseling, involvement in a 12-step addiction recovery group, and participation in enrichment programming. Formal curriculum and classes are offered to at-risk youth on topics including chemical use, tobacco use, anger issues, and decision making.

Youth Mediation Services are based on the Restorative Justice Circle model. These circle meetings bring together victims of offenses with their offenders along with other involved parties, teachers, administration, and parents. All participants are allowed to speak and resolutions are sought for each case.

Strengthening Families Programs include mental health therapy, group counseling, and parenting services. Through counseling, professional counselors work with youth and their families to address immediate issues and to develop communication and coping skills that will contribute to future stability, healthier and more supportive relationships, and the ability to make positive changes on their own. Parenting programs include accessible timely and relevant support for parents of children, ages 10-17. Parents can access support through one-time workshops, a weekly drop-in support group, and telephone and walk-in consultations.

Support and Expenses

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted revenue whose restrictions are met in the same reporting period, are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and Materials

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values.

Cash and Cash Equivalents

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

Accounts Receivable

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At December 31, 2016 and 2015, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Investments

Investments are presented in the financial statements at fair value. Realized and unrealized gains and losses are included in investment income in the accompanying statement of activities.

Property and Equipment

All expenditures of \$500 or more for equipment and leasehold improvements and fair market value of donated assets are capitalized. It is the Organization's policy to provide depreciation based on the estimated useful lives of the equipment and leasehold improvements using the straight-line method. The useful lives are as follows:

	<u>Years</u>
Furniture and equipment	3-7
Leasehold improvements	10-15

Functional Allocation of Expenses

Expenses are allocated to program and support services directly when possible and indirectly using predetermined percentages derived from payroll statistics.

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and disclosures in these financial statements. Actual results could differ from those estimates.

Tax Exempt Status

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes, except to any extent it has taxable income that is not related to its tax exempt purpose. Unrelated business income is taxed at the corporate income tax rate. The receipt of income from advertising and gambling are subject to taxation as unrelated business income. Income taxes paid for the year ended December 31, 2016 and 2015 were \$14,409 and \$32,014, respectively.

Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. 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, the Organization will record such disallowance at the time the final assessment is made.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 16, 2017, the date the financial statements were available to be issued.

NOTE 2. MAJOR SOURCES OF SUPPORT AND REVENUE

During the years ended December 31, 2016 and 2015, the major sources of support and revenue (as a percentage of total support and revenue) from the State of Minnesota were 8% and 14%, respectively.

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 3. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization provides services within a three-county region of the northern Twin Cities. Receivables are from local residents, governments, and institutions and are considered fully collectible. All receivables are unsecured.

The Organization maintains its cash balances with various local financial institutions. At December 31, 2016 and 2015, the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016 and 2015, the Organization had approximately \$0 and \$57,000 in uninsured cash balances.

NOTE 4. DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets consisted of the following at December 31, 2016 and 2015:

	2016	2015
Capital / equipment needs	\$ 36,021	\$ 36,021
Building repairs / replacement, other	97,253	155,848
New program development	8,000	8,000
 Total	 \$ 141,274	 \$ 199,869

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
New program development and expansion	\$ 85,940	\$ 83,953
Tried & True Small Engine Repair Program	-	14,659
Time restricted, general operating	107,216	90,394
	\$ 193,156	\$ 189,006

NOTE 6. CERTIFICATES OF DEPOSIT

At December 31, 2016 and 2015, the Organization had certificates of deposit recorded at cost totaling \$170,005 for both years. These certificates of deposit mature through December 2016, and earn interest ranging from .35% to .45%.

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for which Level 1 inputs are not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no assets requiring the use of Level 3 inputs for the periods presented.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position.

St. Croix Valley Foundation: The Organization has investments held in the St. Croix Valley Foundation. Investments held at the St. Croix Valley Foundation are pooled with other organizations' funds and invested in a diversified portfolio of marketable equity and fixed income securities, as well as limited marketability investments, including private equities, absolute return investments and real estate. A substantial portion of the underlying assets at the foundation is measured at fair value using Level 1 & Level 2 inputs. Lake Area Youth Service Bureau, Inc.'s ownership in such investments is represented by an undivided interest in investment portfolios managed by the foundation, not in the underlying assets themselves. The undivided interest in these portfolios are not themselves publicly traded nor can they be valued based on observable direct or indirect inputs. Accordingly, they are reported as level 3 measurements.

Mutual funds: Mutual funds are valued at net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS (continued)

Fair value of investments at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Mutual funds - level 1	\$ 15,246	\$ 12,548
St. Croix Valley Foundation - level 3	<u>85,940</u>	<u>83,953</u>
Total	<u>\$ 101,186</u>	<u>\$ 96,501</u>

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 83,953	90,364
Withdrawals	(3,000)	(4,000)
Realized gains (losses)	2,343	3,011
Unrealized gains (losses)	3,930	(4,096)
Fees	<u>(1,286)</u>	<u>(1,326)</u>
Balance at end of year	<u>\$ 85,940</u>	<u>83,953</u>

For the years ended December 31, 2016 and 2015, investment income (loss) consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,067	\$ 1,364
Realized and unrealized gains (losses)	6,274	(235)
Investment fees	<u>(1,287)</u>	<u>(1,326)</u>
	<u>\$ 6,054</u>	<u>\$ (197)</u>

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 8. IN-KIND CONTRIBUTIONS

At December 31, 2016 and 2015, in-kind contributions consisted of the following:

	2016	2015
Rent	\$ 33,500	\$ 33,500
Computer consultants	12,487	5,090
Total	\$ 45,987	\$ 38,590

The Organization's facilities are leased through the City of Forest Lake (see Note 9) and are at below market rates. Management has recorded in-kind contributions and an offsetting rent expense of \$33,500 for both the years ended December 31, 2016 and 2015, to reflect the impact to its operations of leased space at prevailing market rates, estimated at \$8.00 per square foot.

NOTE 9. LEASE COMMITMENTS

The Organization leases its main office facilities in Forest Lake from the City of Forest Lake. The lease called for monthly payments of base rents at approximately \$300 per month. This lease is on a month-to-month basis.

Rents paid under the above leases totaled \$4,092 and \$3,972 for the years ended December 31, 2016 and 2015, respectively.

The Organization leases a copier under a non-cancelable operating lease expiring in June 2019. Future minimum lease payments on the above operating lease at December 31, 2016 are as follows:

Year ending December 31,	Amount
2017	\$ 3,840
2018	3,840
2019	1,920
	\$ 9,600

LAKES CENTER FOR YOUTH & FAMILIES
NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN

The Organization's employees who meet certain age and service requirements are eligible to participate in the Organization's 401(k) retirement plan. The Organization contributes up to 2.5% of a qualified employee's salary to the plan. For the years ended December 31, 2016 and 2015, the Organization contributed \$6,186 and \$5,067, respectively, to the plan.

NOTE 11. DEFERRED COMPENSATION

The Organization has established a deferred compensation arrangement pursuant to Section 457(b) of the Internal Revenue Code for a key executive employee. There were earnings of \$230 and \$2, respectively, for the years ended December 31, 2016 and 2015. During the years ended December 31, 2016 and 2015 the Organization contributed \$2,000 to the plan.