

YOUTH SERVICE BUREAU OF ILLINOIS
VALLEY, INC. AND YOUTH SERVICE BUREAU
OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2012



Certified Public Accountants & Advisors

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Boards of Directors
Youth Service Bureau of Illinois Valley, Inc.
and Youth Service Bureau of Illinois Valley Foundation
Ottawa, Illinois

We have audited the accompanying consolidated statements of financial position of Youth Service Bureau of Illinois Valley, Inc. (the Organization) and Youth Service Bureau of Illinois Valley Foundation (the Foundation) as of June 30, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's and the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Youth Service Bureau of Illinois Valley, Inc. and Youth Service Bureau of Illinois Valley Foundation's 2011 consolidated financial statements and, in our report dated October 26, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization and the Foundation as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules on pages 20 through 22 are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Sikich LLP

Naperville, Illinois
October 23, 2012

CONSOLIDATED FINANCIAL STATEMENTS

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Summarized Financial Information for June 30, 2011)

ASSETS		
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 460,866	\$ 311,282
Accrued interest receivable	1,133	1,091
Accounts receivable	883,715	540,975
Prepaid insurance	22,817	17,885
Other prepaid expenses	23,324	4,335
Total current assets	<u>1,391,855</u>	<u>875,568</u>
PROPERTY AND EQUIPMENT		
Land	36,000	36,000
Buildings and building improvements	776,301	560,245
Vehicles	60,862	14,059
Furniture and equipment	272,250	180,106
Subtotal	1,145,413	790,410
Less accumulated depreciation	<u>(526,510)</u>	<u>(491,936)</u>
Net property and equipment	<u>618,903</u>	<u>298,474</u>
OTHER ASSETS		
Lease deposits	19,630	3,610
Investments	1,470	2,100
Total other assets	<u>21,100</u>	<u>5,710</u>
TOTAL ASSETS	<u><u>\$ 2,031,858</u></u>	<u><u>\$ 1,179,752</u></u>

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable	\$ 231,814	\$ 92,810
Accrued expenses	368,415	172,947
Line of credit	494,109	166,143
Note payable - current	4,379	-
Deferred revenue	26,219	45,740
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Total current liabilities	1,124,936	477,640
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Note payable	144,127	-
	<hr/>	<hr/>
Total long-term liabilities	144,127	-
	<hr/>	<hr/>
NET ASSETS		
Unrestricted		
Board designated for endowment	30,602	25,371
Net investment in property and equipment	618,903	298,474
Undesignated	59,674	257,935
	<hr/>	<hr/>
Total unrestricted	709,179	581,780
Temporarily restricted	53,616	120,332
	<hr/>	<hr/>
Total net assets	762,795	702,112
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,031,858</u></u>	<u><u>\$ 1,179,752</u></u>

See accompanying notes to consolidated financial statements.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012
(With Summarized Information for the Year Ended June 30, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Fees for services	\$ 6,934,738	\$ -	\$ -	\$ 6,934,738
Grants	1,292,918	53,616	-	1,346,534
Contributions	113,206	-	-	113,206
Interest income	2,617	-	-	2,617
Other income	12,959	-	-	12,959
Net assets released from restrictions	120,332	(120,332)	-	-
Total revenues, gains, and other support	8,476,770	(66,716)	-	8,410,054
EXPENSES				
Program services	8,070,996	-	-	8,070,996
Fundraising	57,165	-	-	57,165
Management and general	221,210	-	-	221,210
Total expenses	8,349,371	-	-	8,349,371
CHANGE IN NET ASSETS	127,399	(66,716)	-	60,683
NET ASSETS, BEGINNING OF YEAR	581,780	120,332	-	702,112
NET ASSETS, END OF YEAR	\$ 709,179	\$ 53,616	\$ -	\$ 762,795

See accompanying notes to consolidated financial statements.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012
(With Summarized Information for the Year Ended June 30, 2011)

	Program Services						
	Specialized Foster Care	Traditional Foster Care	Parenting	System of Care (ITS)	Outreach	HHS Homeless & Runaway Youth	HHS Rural Basic Center
EXPENSES							
Salaries and wages	\$ 169,974	\$ 2,311,856	\$ 76,446	\$ 34,726	\$ 277,742	\$ 95,504	\$ 16,995
Fringe benefits	28,732	460,822	462	7,048	50,796	28,736	1,934
Consultants	30	107,675	-	-	-	-	-
Consumable supplies	1,413	48,304	3,259	1,209	4,247	2,687	-
Occupancy	1,483	53,587	-	30	7,260	2,861	18
Local transportation	8,804	391,539	600	5,733	39,791	-	4,465
Noncapitalized equipment	95	13,089	-	-	854	712	-
Specific assistance to individuals	74,226	1,528,842	248	168	2,260	17,737	-
Lease/rent	2,442	197,692	-	-	7,919	12,999	1,500
Mortgage interest	-	-	-	-	-	-	-
Other operating expenses	4,829	93,649	1,011	495	12,330	8,229	1,695
Depreciation	1,471	29,920	-	433	5,452	2,308	216
TOTAL FUNCTIONAL EXPENSES	\$ 293,499	\$ 5,236,975	\$ 82,026	\$ 49,842	\$ 408,651	\$ 171,773	\$ 26,823

(This statement is continued on the following pages.)

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2012
(With Summarized Information for the Year Ended June 30, 2011)

	Program Services						
	HHS Street Outreach	Redeploy Illinois	Treatment	JSOP	Family Violence Prevention Council	Safe Haven	The Kid's Place Daycare
EXPENSES							
Salaries and wages	\$ 79,879	\$ 16,291	\$ 191,643	\$ 104,024	\$ 5,802	\$ 120,762	\$ 262,329
Fringe benefits	26,631	3,258	33,811	16,954	-	23,358	48,648
Consultants	-	-	3,947	-	26,120	1,615	167
Consumable supplies	2,208	1,213	4,890	1,459	565	1,253	58,954
Occupancy	2,015	-	6,925	1,627	-	3,112	7,945
Local transportation	6,166	6,072	21,655	8,590	1,642	19,453	1,486
Noncapitalized equipment	122	425	835	51	-	55	1,887
Specific assistance to individuals	826	20	-	-	-	-	-
Lease/rent	917	-	12,144	1,257	-	22,795	2,344
Mortgage interest	-	-	-	-	-	-	-
Other operating expenses	6,876	145	11,746	1,003	144	5,321	11,398
Depreciation	2,019	-	1,702	-	-	2,514	2,284
TOTAL FUNCTIONAL EXPENSES	\$ 127,659	\$ 27,424	\$ 289,298	\$ 134,965	\$ 34,273	\$ 200,238	\$ 397,442

(This statement is continued on the following pages.)

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2012
(With Summarized Information for the Year Ended June 30, 2011)

	Program Services						Other Family Cash Assistance
	After School	Teen Reach	Project Success	Community Service	Family Literacy	Hispanic Services	
EXPENSES							
Salaries and wages	\$ 22,422	\$ 27,196	\$ 7,010	\$ 84,504	\$ 3,207	\$ 57,739	\$ 4,966
Fringe benefits	2,426	3,857	1,096	18,874	673	12,368	33
Consultants	-	-	-	50	-	-	-
Consumable supplies	1,767	8,336	-	1,583	-	643	-
Occupancy	-	-	-	1,387	-	1,579	-
Local transportation	604	1,030	-	3,674	-	4,435	466
Noncapitalized equipment	-	-	-	41	-	-	-
Specific assistance to individuals	-	-	-	5	-	-	70,072
Lease/rent	1,140	-	-	3,019	-	7,294	-
Mortgage interest	-	-	-	-	-	-	-
Other operating expenses	282	832	-	6,480	-	4,882	-
Depreciation	-	-	-	4,024	-	981	-
TOTAL FUNCTIONAL EXPENSES	<u>\$ 28,641</u>	<u>\$ 41,251</u>	<u>\$ 8,106</u>	<u>\$ 123,641</u>	<u>\$ 3,880</u>	<u>\$ 89,921</u>	<u>\$ 75,537</u>

(This statement is continued on the following page.)

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2012
(With Summarized Information for the Year Ended June 30, 2011)

	Program Services			Supporting Services		2012 Total	2011 Total
	Intact Families	Safe to Live	Total Program Services	Fundraising	Management and General		
EXPENSES							
Salaries and wages	\$ 143,646	\$ -	\$ 4,114,663	\$ 37,247	\$ 102,987	\$ 4,254,897	\$ 2,063,269
Fringe benefits	35,536	-	806,053	3,725	16,716	826,494	387,465
Consultants	2,182	-	141,786	2,700	44,078	188,564	58,548
Consumable supplies	1,859	-	145,849	9,918	15,774	171,541	108,512
Occupancy	4,495	-	94,324	-	1,740	96,064	43,285
Local transportation	19,028	-	545,233	441	4,970	550,644	221,995
Noncapitalized equipment	122	-	18,288	-	1,237	19,525	11,536
Specific assistance to individuals	883	-	1,695,287	-	-	1,695,287	403,481
Lease/rent	4,424	-	277,886	-	(454)	277,432	89,246
Mortgage interest	-	-	-	-	9,884	9,884	13,146
Other operating expenses	4,651	-	175,998	3,134	21,465	200,597	132,277
Depreciation	2,305	-	55,629	-	2,813	58,442	35,338
TOTAL FUNCTIONAL EXPENSES	<u>\$ 219,131</u>	<u>\$ -</u>	<u>\$ 8,070,996</u>	<u>\$ 57,165</u>	<u>\$ 221,210</u>	<u>\$ 8,349,371</u>	<u>\$ 3,568,098</u>

See accompanying notes to consolidated financial statements.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012
(With Summarized Information for the Year Ended June 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 60,683	\$ 166,508
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	58,442	35,338
Unrealized (gain) loss on investments	630	-
(Increase) decrease in		
Accrued interest receivable	(42)	577
Accounts receivable	(342,740)	26,444
Lease deposits	(16,020)	-
Prepaid expenses	(23,921)	(57)
Increase (decrease) in		
Accounts payable	139,004	6,573
Accrued expenses	195,468	(14,634)
Deferred revenue	(19,521)	43,306
Total adjustments	(8,700)	97,547
Net cash from operating activities	51,983	264,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(230,365)	(12,769)
Net cash from investing activities	(230,365)	(12,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	5,344,319	2,488,301
Repayments on line of credit	(5,016,353)	(2,713,458)
Net cash from financing activities	327,966	(225,157)
NET INCREASE IN CASH AND CASH EQUIVALENTS	149,584	26,129
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	311,282	285,153
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 460,866	\$ 311,282

See accompanying notes to consolidated financial statements.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

1. NATURE OF ACTIVITIES

Youth Service Bureau of Illinois Valley, Inc. (the Organization) is an Illinois nonprofit corporation organized in 1976 for the purpose of providing counseling and foster care services. The principal office is located in Ottawa, Illinois, with additional offices in Streator, Mendota, Princeton, and LaSalle, Rockford, Aurora, Elgin and Glen Ellyn. The Organization's primary sources of revenue are fees and grants from the Department of Children and Family Services and the Illinois Department of Human Services. Youth Service Bureau of Illinois Valley Foundation (the Foundation) is a not-for-profit foundation created to support the work of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The Foundation is consolidated with the Organization for financial reporting purposes due to common control and economic interest. All significant intercompany account balances and transactions have been eliminated in the consolidated financial statements.

Cash and Cash Equivalents

The Organization and the Foundation consider highly liquid investments with an initial maturity of less than three months to be cash equivalents.

Allowance for Doubtful Accounts

The Organization and Foundation consider accounts receivable to be fully collectible and, accordingly, utilize the direct write-off method, which closely approximates the allowance method, to record bad debts. Based on historical collection activity, no allowance is deemed necessary.

Fair Value Measurements

The Organization and Foundation follow the authoritative guidance issued by the Financial Accounting Standards Board (FASB) which defines fair value, establishes a framework for measuring fair value by providing a hierarchy used to classify the source of the information measuring fair value, and expands disclosures about fair value measurements.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value, if donated. Generally, acquisitions of property and equipment in excess of \$2,500 are capitalized, and maintenance, repairs, or minor improvements which neither materially add to the value of the property nor appreciably prolong its life are expensed as incurred. Gains or losses on dispositions of property and equipment are included in income. Depreciation is computed under the straight-line method over the estimated useful lives of the assets.

Buildings and building improvements	25 Years
Furniture and equipment	3-5 Years
Vehicles	5 Years

Contributed Services

Unpaid volunteers have made contributions of their time to develop and administer the Organization's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated to the various programs as follows:

- Wages - by program served.
- Employee benefits and related taxes - based on a percentage of the wage allocation.
- Utilities - by square footage of the area of the specific program.
- Rent - by square footage of the area of the specific program.
- All other expenditures - by specified purpose of the purchase.

Recognition of Donor Restrictions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization and Foundation report gifts of cash and other assets as restricted support if they are designated as support for future periods or 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support. Unexpended conditional grants are reported as deferred revenue until they are spent for purposes of the grant.

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

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2011, from which the summarized information was derived.

3. INVESTMENTS

Investments as of June 30, 2012 are carried at fair market value and consist of common stock.

Fair value measurements recorded on a recurring basis at June 30, 2012 were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities				
Financial	\$ 1,470	\$ -	\$ -	\$ 1,470

4. LINE OF CREDIT

The Organization currently has \$600,000 available on a line of credit with a local bank. The interest rate on the line of credit is the greater of 4.92% or the prime rate plus 1.07% (the prime rate was 3.25% at June 30, 2012). The line of credit agreement expires April 24, 2013 and is collateralized by substantially all the assets of the Organization. The note is due on demand, but if no demand is made then monthly payments of accrued interest calculated on the amount of credit outstanding are required. As of June 30, 2012, the balance was \$494,109.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. NOTES PAYABLE

The Organization has a note payable with a bank dated June 22, 2012, with interest payable at a fixed rate of 5.82%, through June 22, 2015. For the period June 23, 2015 through July 22, 2032, interest is payable at 4.43% above the lending rate announced by the Chicago Federal Home Loan Bank three year advance rate. The note is secured by first mortgage lien on the land and building. The mortgage is payable in monthly installments of \$1,010 including interest.

The future maturities of the note payable at June 30, 2012 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2013	\$ 4,379
2014	4,616
2015	4,865
2016	5,129
2017	5,406
Thereafter	<u>124,111</u>
TOTAL	<u>\$ 148,506</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 consist of the following time and program restrictions:

United Way of Illinois Valley	\$ 16,576
United Way of Eastern LaSalle County	18,805
United Way of Streator	7,250
United Way of Bureau County	1,430
Trauma Stress	1,955
IVPA	3,992
Choose Respect	<u>3,608</u>
TOTAL	<u>\$ 53,616</u>

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. OPERATING LEASES

The Organization conducts the major part of its operations from leased facilities which include office and residential space. Most of these operating leases contain varying renewal provisions, renewable at the option of the Organization, which enables the Organization to retain use of the facilities in desirable operating areas. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. The Organization also leases office equipment and various vehicles and other equipment from time to time. Total rent expense under these leases was \$277,432 for the year ended June 30, 2012.

The following is a schedule of future minimum rental payments over the next five years required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012:

<u>Years Ending</u> <u>June 30,</u>	
2013	\$ 307,225
2014	295,017
2015	278,457
2016	197,758
2017	192,723
Thereafter	<u>760,519</u>
TOTAL MINIMUM PAYMENTS REQUIRED	<u>\$ 2,031,699</u>

8. CONCENTRATION OF MAJOR GRANTORS

Approximately 74% of the Organization's total revenue was received from the Department of Children and Family Services for the year ended June 30, 2012. A significant reduction in the level of this support, if this were to occur, would have an effect on the Organization's programs. Additionally, certain grants received by the Organization require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to grantors.

9. TAX EXEMPT STATUS

The Organization has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code pursuant to a letter dated April 1976. The Foundation has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code pursuant to a letter dated January 12, 2009. Accordingly, no provision for income taxes is included in the consolidated financial statements.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. TAX EXEMPT STATUS (Continued)

The Organization and Foundation follow authoritative guidance issued by the Financial Accounting Standards Board (FASB) that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. The Organization and Foundation conduct business solely in the U.S. and, as a result, files information returns for U.S. and Illinois. In the normal course of business, the Organization and Foundation are subject to examination by taxing authorities.

The Organization's and Foundation's information returns for years subsequent to fiscal 2008 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Organization and Foundation currently files or has filed with.

10. RETIREMENT PLAN

The Organization has a profit sharing plan for employees who work at least 1,000 hours per year, who have completed at least one year of service, and are at least 21 years of age. Participants are 50% vested in the employer contributions after one year of service, 75% percent after two years, and 100% after three years. Contributions to the plan are determined annually by the Board of Directors. No contributions were made to the plan for the year ended June 30, 2012.

11. CASH FLOW INFORMATION

Net cash from operating activities reflects cash payments for interest. No income taxes were paid during the year. Cash payments for interest for the year ended June 30, 2012 are as follows:

INTEREST PAID	<u>\$ 9,884</u>
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12. NONCASH TRANSACTIONS

During the year, the Organization purchased a building in the amount of \$200,000, of which \$148,506 was funded by entering into a note payable.

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. ENDOWMENTS

The Organization has designated a portion of its unrestricted net assets for an endowment fund to help the Organization meet future financial needs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2012, all endowment assets were unrestricted. The Organization's spending policy provides that the Organization may withdraw endowment funds as needed for operations.

During the year ended June 30, 2012, the Organization had the following endowment related activities:

	Board Designated Endowment Funds
ENDOWMENT NET ASSETS, BEGINNING OF YEAR	\$ 25,371
Transfers to board designated endowment funds	<u>5,231</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 30,602</u>

14. SUBSEQUENT EVENTS

The Organization and Foundation have evaluated subsequent events through October 23, 2012, the date on which the consolidated financial statements were available to be issued, and determined that there were no significant nonrecognized subsequent events through that date.

SUPPLEMENTARY INFORMATION

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2012

	Youth Service Bureau of Illinois Valley, Inc.	Youth Service Bureau of Illinois Valley Foundation	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 376,551	\$ 84,315	\$ -	\$ 460,866
Accrued interest receivable	1,133	-	-	1,133
Accounts receivable	883,715	-	-	883,715
Prepaid insurance	22,817	-	-	22,817
Other prepaid expenses	23,324	-	-	23,324
Total current assets	1,307,540	84,315	-	1,391,855
PROPERTY AND EQUIPMENT				
Land	36,000	-	-	36,000
Buildings and building improvements	776,301	-	-	776,301
Vehicles	60,862	-	-	60,862
Furniture and equipment	272,250	-	-	272,250
Subtotal	1,145,413	-	-	1,145,413
Less accumulated depreciation	(526,510)	-	-	(526,510)
Net property and equipment	618,903	-	-	618,903
OTHER ASSETS				
Lease deposits	19,630	-	-	19,630
Investments	1,470	-	-	1,470
Total other assets	21,100	-	-	21,100
TOTAL ASSETS	\$ 1,947,543	\$ 84,315	\$ -	\$ 2,031,858

	Youth Service Bureau of Illinois Valley, Inc.	Youth Service Bureau of Illinois Valley Foundation	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 231,814	\$ -	\$ -	\$ 231,814
Accrued expenses	368,415	-	-	368,415
Line of credit	494,109	-	-	494,109
Illinois Facilities Fund loan	4,379	-	-	4,379
Deferred revenue	26,219	-	-	26,219
Total current liabilities	1,124,936	-	-	1,124,936
LONG-TERM LIABILITIES				
Illinois Facilities Fund loan	144,127	-	-	144,127
Total long-term liabilities	144,127	-	-	144,127
NET ASSETS				
Unrestricted				
Board designated for endowment	-	30,602	-	30,602
Net investment in property and equipment	618,903	-	-	618,903
Undesignated	5,961	53,713	-	59,674
Total unrestricted	624,864	84,315	-	709,179
Temporarily restricted	53,616	-	-	53,616
Total net assets	678,480	84,315	-	762,795
TOTAL LIABILITIES AND NET ASSETS	\$ 1,947,543	\$ 84,315	\$ -	\$ 2,031,858

(See independent auditor's report.)

YOUTH SERVICE BUREAU OF ILLINOIS VALLEY, INC. AND
YOUTH SERVICE BUREAU OF ILLINOIS VALLEY FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	Youth Service Bureau of Illinois Valley, Inc.				Youth Service Bureau of Illinois Valley Foundation				Eliminations	Consolidated Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT													
Fees for services	\$ 6,934,738	\$ -	\$ -	\$ 6,934,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,934,738	\$ -	\$ -	\$ 6,934,738
Grants	1,292,918	53,616	-	1,346,534	-	-	-	-	-	1,292,918	53,616	-	1,346,534
Contributions	22,287	-	-	22,287	109,038	-	-	109,038	(18,119)	113,206	-	-	113,206
Interest income	2,175	-	-	2,175	442	-	-	442	-	2,617	-	-	2,617
Other income	12,959	-	-	12,959	-	-	-	-	-	12,959	-	-	12,959
Net assets released from restrictions	120,332	(120,332)	-	-	-	-	-	-	-	120,332	(120,332)	-	-
Total revenues, gains, and other support	8,385,409	(66,716)	-	8,318,693	109,480	-	-	109,480	(18,119)	8,476,770	(66,716)	-	8,410,054
EXPENSES													
Program services	8,070,996	-	-	8,070,996	18,119	-	-	18,119	(18,119)	8,070,996	-	-	8,070,996
Fundraising	-	-	-	-	57,165	-	-	57,165	-	57,165	-	-	57,165
Management and general	221,210	-	-	221,210	-	-	-	-	-	221,210	-	-	221,210
Total expenses	8,292,206	-	-	8,292,206	75,284	-	-	75,284	(18,119)	8,349,371	-	-	8,349,371
CHANGE IN NET ASSETS	93,203	(66,716)	-	26,487	34,196	-	-	34,196	-	127,399	(66,716)	-	60,683
NET ASSETS, BEGINNING OF YEAR	531,661	120,332	-	651,993	50,119	-	-	50,119	-	581,780	120,332	-	702,112
NET ASSETS, END OF YEAR	\$ 624,864	\$ 53,616	\$ -	\$ 678,480	\$ 84,315	\$ -	\$ -	\$ 84,315	\$ -	\$ 709,179	\$ 53,616	\$ -	\$ 762,795

(See independent auditor's report.)