

## AGENDA

### REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF ST. LOUIS COUNTY, MINNESOTA



Tuesday, January 22, 2013, 9:30 A.M.

**Industrial Town Hall  
7519 County Road 871  
Saginaw, MN**

*Directions from South:* North on Highway 53 through Hermantown, turn left onto MN 194 West, which becomes Highway 2. Proceed on Highway 2 for approx. one mile past the Highway 33 intersection, turn right onto Independence Road. Travel 1.4 miles then turn left onto County Road 871/Albert Road. Industrial Town Hall is on the right.

*Directions from North:* South on Highway 53, merge onto Highway 33 South. Turn right onto County Road 874/Independence Road. Take 1<sup>st</sup> right onto County Road 871/Albert Road. Industrial Town Hall is on the right.

**CHRIS DAHLBERG, Chair  
Third District**

**FRANK JEWELL  
First District**

**STEVE O'NEIL  
Second District**

**MIKE FORSMAN – Vice Chair  
Fourth District**

**PETE STAUBER  
Fifth District**

**KEITH NELSON  
Sixth District**

**STEVE RAUKAR  
Seventh District**

County Auditor  
Donald Dicklich

County Administrator  
Kevin Gray

County Attorney  
Mark Rubin

Clerk of the Board  
Roberta Museta

The St. Louis County Board of Commissioners welcomes you to this meeting. This agenda contains a brief description of each item to be considered. The Board encourages your participation. If you wish to speak on an item contained in the agenda, you will be allowed to address the Board when a motion is on the floor. If you wish to speak on a matter that does not appear on the agenda, you may do so during the public comment period at the beginning of the meeting. Except as otherwise provided by the Standing Rules of the County Board, no action shall be taken on any item not appearing in the agenda.

When addressing the Board, please sign in at the podium and state your name and address for the record. Please address the Board as a whole through the Chair. Comments to individual Commissioners or staff are not permitted. The St. Louis County Board promotes adherence to civility in conducting the business of the County. Civility will provide increased opportunities for civil discourse in order to find positive resolutions to the issue before the Board. Tools of civility include: pay attention, listen, be inclusive, do not gossip, show respect, be agreeable, apologize, give constructive criticism and take responsibility [County Board Resolution No. 560, adopted on September 9, 2003]. Speakers will be limited to five (5) minutes.

\*\*In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify Property Management 72 hours prior to the meeting at (218)725-5085.\*\*

All supporting documentation is available for public review in the County Auditor's Office, 100 North 5th Avenue West - Room No. 214, St. Louis County Courthouse, Duluth, MN, during regular business hours 8:00 A.M. - 4:30 P.M., Monday through Friday. Agenda is also available on our website at <http://www.stlouiscountymn.gov/GOVERNMENT/BoardofCommissioners.aspx>

**AGENDA**  
**St. Louis County Board**  
**January 22, 2013**  
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9:30 A.M. Pledge of Allegiance  
Roll Call  
*"St. Louis County History: People & Places"- Commissioner Nelson,  
Sixth District*

AT THIS TIME CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD ON ITEMS NOT ON THE AGENDA. [Speakers will be limited to 5 minutes each.]

FOR ITEMS LISTED ON THE BOARD AGENDA OR COMMITTEE OF THE WHOLE AGENDA, CITIZENS WILL BE ALLOWED TO ADDRESS THE BOARD AT THE TIME A MOTION IS ON THE FLOOR.

9:40 A.M. Public hearing, pursuant to Resolution No. 13-36, adopted January 8, 2013, to consider granting an off-sale intoxicating liquor license to Murmac LLC d/b/a Riverside Inn, French Township. {13-29}

**CONSENT AGENDA**

Approval of business submitted on the consent agenda.

**REGULAR AGENDA**

**Finance & Budget Committee – Commissioner Raukar, Chair**

1. Discussion regarding proposals for Camp Esquagama was moved from the January 15, 2013 Committee of the Whole meeting to the County Board meeting to provide County Administration with further Board direction for the camp. {13-27}

**ADJOURNED:**

# **BOARD LETTER NO. 13 - 29**

## **FINANCE & BUDGET COMMITTEE**

### **JANUARY 22, 2013 BOARD AGENDA 9:40 A.M. PUBLIC HEARING**

**DATE:** January 22, 2013                      **RE:** Public Hearing to Consider Off-Sale Intoxicating Liquor License (French Township)

**FROM:** Kevin Z. Gray  
County Administrator

Donald Dicklich  
County Auditor

**RELATED DEPARTMENT GOAL:**

Provide mandated and discretionary licensing services in a timely manner.

**ACTION REQUESTED:**

The St. Louis County Board is requested to consider an off-sale intoxicating liquor license for Murmac LLC d/b/a Riverside Inn, French Township.

**BACKGROUND:**

Murmac LLC, has made application for an Off-Sale Intoxicating Liquor License for the establishment known as Riverside Inn, Township of French. Minn. Stat. § 340A.405, subdivision 2d, relating to the issuance of off-sale intoxicating liquor licenses provides that "No license may be issued under this subdivision unless a public hearing is held on the issuance of the license. Notice must be given to all interested parties and to any city located within three miles of the premises to be licensed. At the hearing the county board shall consider testimony and exhibits presented by interested parties and may base its decision to issue or deny a license upon the nature of the business to be conducted and its impact upon any municipality, and the character and reputation of the applicant, and the propriety of the location."

The County Liquor Licensing Committee considered and approved the application and recommends Board approval. This establishment is located in Area 3 and the annual license fee is \$150.00.

**RECOMMENDATION:**

It is recommended that the St. Louis County Board consider the testimony at the public hearing and barring any valid objection, approve the issuance of the off sale license.

**Public Hearing to Consider Off-Sale Intoxicating  
Liquor License (French Township)**

BY COMMISSIONER \_\_\_\_\_

WHEREAS, Murmac LLC d/b/a Riverside Inn, French Township, St. Louis County, Minnesota, has applied for an off-sale intoxicating liquor license; and

WHEREAS, Minn. Stat. § 340A.405, Subdivision 2(d), requires that a public hearing be held prior to the issuance of an off-sale intoxicating liquor license; and

WHEREAS, a public hearing was held on January 22, 2013, at 9: 40 a.m., in the Industrial Town Hall, Saginaw, Minnesota, for the purpose of considering the granting of the off-sale intoxicating liquor license; and

WHEREAS, with regard to the application for said license, Riverside Inn has complied in all respects with the requirements of Minnesota Law and St. Louis County Ordinance No. 28; and

WHEREAS, the Liquor Licensing Committee of the St. Louis County Board has considered the nature of the business to be conducted and the propriety of the location and has recommended approval of the application.

NOW, THEREFORE, BE IT RESOLVED, that Off-Sale Intoxicating Liquor License (License Number CMB13152) shall be issued to Murmac LLC d/b/a Riverside Inn, French Township, located in Area 3, for an annual fee of \$150.00.

RESOLVED FURTHER, that said liquor license shall be effective February 1, 2013, through June 30, 2013.

RESOLVED FURTHER, that said license is approved contingent upon payment of real estate taxes when due.

RESOLVED FURTHER, that if named license holder sells the licensed place of business, the County Board may, at its discretion after an investigation, transfer the license to a new owner, but without pro-rated refund of license fee to the license holder.



managed the camp for the 2011 and 2012 camping seasons and managed several critical capital improvement projects.

The county has been subsidizing camp operations for more than a decade, and has provided most of the capital for facility improvements. Earlier this fall, St. Louis County issued a Request for Proposals (RFP) offering the opportunity for interested parties to submit proposals to “provide a viable arrangement for strategic leadership, property management and operation/administration services that would provide for the financially sustainable and self-sufficient operation of vibrant, high-value youth, adult, and community camping and recreation programming on the Camp Esquagama property in Biwabik, Minnesota.”

Through this RFP, St. Louis County sought to transition camp operations and management to a model that would position the camp to be less reliant on operational support and facility subsidies. Most importantly, this model would continue to provide youth, adult and community camping and recreation opportunities at the site for many years to come.

Three parties submitted proposals, and two were interviewed by a Review Committee comprised of county officials from various departments and members of the Promotional Bureau. There was consensus in the Review Committee that YMCA Camping Services is well positioned to carry out successful summer camping programs while minimizing the county’s ongoing operational and capital subsidy, fulfilling the goals listed in the RFP. The submission from the Arrowhead Center as an out-of-the-box proposal with a very different business model that, while reflecting a more substantial county investment, also seeks to expand the use of the camp in ways which may meet additional needs in the county. The proposals are so different that in many ways they are difficult to compare.

Over the past several weeks County Administration has received feedback from individual County Commissioners regarding the upcoming Board decision, especially after the (attached) comparison matrix was shared. Commissioners vary significantly in their goals and expectations around programming schedule offered and additional potential community programming to be explored and developed.

**RECOMMENDATION:**

In light of this feedback, County Administration is recommending the Camp Esquagama RFP dialog be conducted as a discussion, with both submitting parties present for the benefit of the Board. The goal is to achieve County Board direction and consensus around a structure for the continued operation of Camp Esquagama. No formal Board action is required, although it may be achieved through the discussion/dialog.

County Administration will craft this direction to develop a recommendation based on the initial RFP submissions or, potentially, negotiate an entirely separate contract structure and term. To ensure another successful camping season, Administration anticipates bringing this forward as soon as practical.

Comparison Matrix developed by Review Committee:

	YMCA	Arrowhead Center
<b>Type of Organization, Proposed Governance Model</b>	Non-Profit Corporation, YMCA Camping Services supported by the Duluth YMCA and in partnership with the Mesabi YMCA in Virginia	To be created non-profit corporation as a subsidiary of the Arrowhead Center, which is a non-profit corporation contracting with The Connaughton Group (Sole Proprietor) for camp management services and expertise.
<b>Organizational Mission &amp; Vision for Camp</b>	<p>Dedicated to putting the principles of caring, honesty, respect and responsibility into practice through programs that build healthy spirit, mind and body for all.</p> <p><b>Areas of Focus</b>                      For Youth Development                      For Healthy Living                      For Social Responsibility</p> <p><b>Vision for Camp Esquagama</b>                      To enhance the current culture, programs, and sustainability by implementing established YMCA camping principles and practices.</p>	<p>The Arrowhead Center has a mission to address the needs of individuals, families and society relating to addictive and compulsive behaviors.</p> <p><b>Vision for Camp Esquagama</b>                      The Arrowhead Center will transition the camp from a traditional summer camp to a multi-purpose property that accommodates year-round activities to broaden the appeal and usability of camp facilities to create a financial model of self-sufficiency by expanding the camp to provide for a multi-purpose program with retreats, rentals and specialty camps coupled with the addition of a (drug &amp; alcohol) treatment component that offers a second revenue stream that is ideally suited to this environment.</p>
<b>Proposed Term</b>	The management of Camp Esquagama would be a shared partnership between YMCA Camping Services and St. Louis County that reduces the operational subsidy over a 5-year term while non-routine maintenance and/or capital improvements remain the responsibility of the county throughout a 10-year lease agreement, after which the YMCA will consider purchasing the camp or entering into another lease term.	The Arrowhead Center proposes to lease the camp from the county for a 20-year period of time with an option for renew at 5-year intervals thereafter, with first right of refusal purchase rights. As a lease condition, The Arrowhead Center will ensure the camp continues to operate in a way that generates a positive cash flow and assumes any financial and administrative burden beyond the terms spelled out in the lease.
<b>Financial Plan</b>	10-year term with 5-years of operational subsidies from St. Louis County: 2013 - \$90k, 2014 - \$70k, 2015 - \$50k, 2016 - \$30k, 2017 - \$10k; <b>total of \$250k.</b> YMCA will utilize their comprehensive camp management resources to reduce administrative overhead and allow for elimination of subsidies for camp operations.	<b>5-year operational subsidy of \$900k.</b> See "Total Proposed Investment from County" below for proposed disbursement schedule.

	YMCA	Arrowhead Center
<b>Capital Plan</b>	3-year capital improvement plan to make camp functional for ACA accreditation and eliminate operation subsidy, see Appendix ? for more information, All identified capital improvements shape the camp to meet YMCA camping program needs. <b>Total of \$235k.</b>	<b>5-year capital improvement plan subsidy of \$1.2 million.</b> See “Total Proposed Investment from County” below for proposed disbursement schedule.
<b>Total Proposed Investment from County</b>	<b>Operational Subsidy: \$250k over 5-years.</b> <b>Capital Improvements: \$235k over 3-years.</b> <b>Total proposed subsidy: \$485k.</b> Other unforeseen emergency or end of life cycle capital improvements required would be county responsibility and requested as they are identified – county is landlord.	Capital and Operational subsidy disbursed over 5-years as follows: 2013 - \$949k, 2014 - \$640k, 2015 - \$201k, 2016 - \$177k, 2017 - \$167k. <b>Total proposed subsidy: \$2.1 million.</b> Other unforeseen emergency or end of life cycle capital improvements required would be county responsibility and requested as they are identified – county is landlord.
<b>Programmatic Plan</b>	YMCA will maintain direct oversight of camp operations, buildings and grounds; and provide routine and preventative maintenance (with an annual maintenance budget) to buildings and grounds. The YMCA plans to add this camp to its camping group and market the Camp as one that is priced to meet the northern MN demographic, to maintain the heritage and culture established at Camp Esquagama and to provide for leadership development, traditional camping, day camp, adventure programming, family camp, camp retreats and other programs to meet the recreational needs of St. Louis County and regional residents and in keeping with the YMCA's mission. The YMCA proposes to extend the camping “shoulder” seasons and increase utilization while maintaining the camp as a seasonal program/facility.	The Arrowhead Center plans to offer 12-month multi-purpose camp programming that includes day camp, summer camp maintaining the camp’s heritage/culture and potential adventure programming, retreats, special needs camps, rental groups, and the like. Additionally, the Arrowhead Center proposes to build an in-house drug and alcohol treatment center for at-risk juveniles, and adults on a parcel of the property that is physically separate from the rest of the camp facilities. This treatment center would provide the mechanism to subsidize camp operations and maintenance beyond the investment required of the county in this proposal.
<b>Experience &amp; Expertise</b>	The YMCA has provided quality residential camp programming since 1898, with Camp Miller being the oldest YMCA residential camp in MN. Over the years, comprehensive policies and procedures have been developed through implementation of best practices within the camping industry. These policies and procedures will be easily transferable to Camp Esquagama with the support of an experienced and dedicated Camping Services Branch and a well developed administrative team.	The Arrowhead Center has been operating for over 40 years and has served over 12,000 people. The Connaughton Group is an organization that is represented by two experienced camping professionals with many years of experience in the development and operation of camps and camping programs.

	YMCA	Arrowhead Center
<b>Plan Pros</b>	<ul style="list-style-type: none"> <li>• Well established organization with a very recognizable brand - marketing</li> <li>• Established administrative team – allows for lower administrative overhead</li> <li>• Clear vision for Camp Esquagama that is mission driven</li> <li>• Leadership development for campers and future staff as integral to program</li> <li>• Comprehensive fundraising network, plan, and scholarship program</li> <li>• Partnership with Mesabi YMCA could help to strengthen struggling programs at that branch</li> <li>• Demographically appropriate camper fees (contrasted to Metro area YMCA camps) including moderate increase in fees</li> <li>• Plan to retain and enhance camp values, tradition and history</li> <li>• Focus on healthy living and environmental stewardship</li> <li>• Plan to implement ACA accreditation</li> <li>• Can hit the ground running for a successful transition and strong first year of management</li> <li>• The YMCA is well-positioned to ensure the viability of a seasonal camping program/facility – economy of scale</li> <li>• Passion for camping</li> </ul>	<ul style="list-style-type: none"> <li>• Connaughton Group (Roy Connaughton and Steve Popowitz) have 50+ years of experience developing and operating camps</li> <li>• Two years experience managing Camp Esquagama for the county</li> <li>• Plan to retain camp history and culture</li> <li>• Plan to implement ACA accreditation</li> <li>• 12 month, multi-purpose camp facility model could result in diverse revenue sources</li> <li>• Would try and seek private donors and fundraising</li> <li>• Has staff in place at the camp for a smooth transition</li> <li>• Experienced maintenance staff and camp director</li> <li>• Passion for camping</li> </ul>
<b>Plan Cons</b>	<ul style="list-style-type: none"> <li>• The county, as “landlord” would be responsible for any major infrastructure needs at the camp (beyond financial/capital subsidy proposed); similar to arrangement with other county-owned properties (such as the St. Louis County Heritage and Arts Center)</li> <li>• The potential for future infrastructure investments at the camp would remain unless the county sold the camp to the</li> </ul>	<ul style="list-style-type: none"> <li>• Combining youth camp programming with a drug and alcohol treatment center is complicated and may not be possible</li> <li>• Camp is not zoned for drug and alcohol treatment center – would require a public hearing</li> <li>• Community willingness to support drug and alcohol treatment center in area and near camp (and neighboring camps) is unclear and could be problematic</li> <li>• Acknowledged that Camp</li> </ul>

YMCA after the first 10-year term

Esquagama cannot be sustainable without an umbrella organization to support it

- The Arrowhead Center's mission is to treat drug and alcohol abuse not provide camping for youth or community
- Higher administrative/staff expenses
- No distinct plan for fundraising or alumni development plan was offered in proposal but was discussed in interview.
- This proposal is very expensive and contingent on the construction of a treatment facility which would happen in 4-5 years, no distinct business plan put forward
- The development of a 12-month facility requires much more upfront and ongoing operational expense than a seasonal facility though it may produce additional revenue
- As the "landlord" the county would still be liable for major capital repairs and infrastructure investments beyond what has been identified in the proposal
- No concrete plan/timeline for seeking ACA accreditation



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

October 12, 2012

Mr. Erik Birkeland,

On behalf of the Y's Camping Services Branch, I am submitting this proposal to St. Louis County for the management and operation of Camp Esquagama. I would like to thank you for this amazing opportunity for the YMCA to spread its reaches to even more children through camp programming. As an organization, youth development is one of our core priorities and programming at Camp Esquagama would assist us in our meeting mission.

I and several staff from our organization as well as the Mesabi YMCA visited Camp Esquagama on November 17, 2011 and again on September 19, 2012. We very much enjoyed the tours with you and the second tour in particular helped us visualize just how much we really can grow this camp.

In submitting this proposal, it should be noted that the camp would be managed by the Camping Services Branch with direct collaboration of the Mesabi YMCA, as we are currently in a management agreement with them with the intent to integrate in the near future. This relationship will be vital in building community and camper recruitments from the Iron Range.

I anticipate that you will see within our proposal that our organization has a long history of providing camping services to the area's youth and that longevity is proof of our success in camping and environmental education. Our camping administration is a group of passionate individuals who will be equally committed to the success of Camp Esquagama.

Should we be selected as your partner in this project, we anticipate further discussion to make sure the needs of both organizations are met. We look forward to discussing the details of this proposal with you.

Respectfully,

Chris Francis  
President and CEO



# Executive Summary of Proposal

Company Name:	YMCA Camping Services
Website:	www.ymcacampmiller.org www.duluthymca.org
Address:	302 W First Street Duluth
State/Province:	MN
Zip/Postal Code:	55802

Respondent's Name:	Chris Francis
Position:	President and CEO
Phone:	218-722-4745 x104

Camp Esquagama RFP - Appendix II  
 100 N. 5th Ave. W #202  
 Duluth, MN  
 USA  
 55802-1287  
 Phone: 21-726-2448  
 Fax: 218-726-2469  
 www.co-st-louis.mn.us

## Overview of Proposal

### Terms:

Management for Camp Esquagama would be a shared partnership between YMCA Camping Services and St. Louis County. Full operations and management will be the responsibility of the Y. This partnership will include decreasing incremental annual operational subsidies from St. Louis County for the first five years of contract providing the opportunity for self-sufficiency. There will be a 10 year agreement that Capitol Investments and Improvement will remain the responsibility of St. Louis County.

### Camp Vision (vision for Camp E future):

The YMCA Camping Services vision is to provide quality youth and family programming through management and operations of Camp Esquagama. We are dedicated to putting the principles of caring, honesty, respect and responsibility into practice through programs that build healthy spirit, mind and body. Guided by our mission, our vision for Camp Esquagama is to enhance the current culture, programs and sustainability by implementing our established YMCA camping principles and practices.

### Additional Information:

The YMCA has provided quality residential camp programming since 1898 with Camp Miller being the oldest YMCA residential camp in the state of Minnesota. Over the years, comprehensive policies and procedures have been developed through implementation of best practices within the camping industry. These policies and procedures will be easily transferable to Camp Esquagama.

## Capital Improvement & Maintenance Plan:

YMCA Camping Services will maintain direct oversight of Camp Esquagama buildings and grounds which includes minor and basic repairs and maintenance as well as timely notification and advice to St. Louis County of any major repairs/maintenance. Camp Property Manager, Greg Burns, will maintain basic daily and preventative maintenance of grounds and buildings. We will also cover any low fee contract service maintenance. This does not include any capital improvements or high cost contract service fees.

### Financial Plan (elements that will ensure sustainability of operations):

Our well developed and structured administrative team will bring much needed expertise to Camp Esquagama's operations. With this experienced team already assembled, the transition will be quick and efficient allowing for successful changeover within the first camping season. Our financial plan, which ensures sustainability, is based on these important factors: decreased subsidizations from St. Louis County and increase marketing and fundraising efforts as well as increased camper fees and numbers.

By my signature, I hereby certify that I have the authority to make this offer on behalf of the Company/Organization named above.

Type Name: Chris Francis

Signature: Chris Francis

Date: 10/12/2012



# Respondent Profile

Respondent Profile - Appendix II  
 100 N. 5th Ave. W #202  
 Duluth, MN  
 USA  
 55802-1287  
 Phone: 21-726-2448  
 Fax: 218-726-2469  
 www.co.st-louis.mn.us

Date:   
 New  Revised

Company Name:   
 Address:   
 State/Province:   
 Zip/Postal Code:   
 Company Federal ID #:

Phone:   
 Fax:   
 E-mail Address:   
 Website:   
 Years in Business:

**Form of Company or Organization (Please check one):**

- Corporation (For Profit)
- Corporation (Not for Profit)
- Sole Proprietor
- Partnership
- Limited Liability Company
- Other (List Below)

List Company Details (Other):

## Officers of the Company or Organization

Name (1):   
 Position/Title:   
 Years in Position:

Name (2):   
 Position Title:   
 Years in Position:

Name (3):   
 Position/Title:   
 Years in Position:

Name (4):   
 Position/Title:   
 Years in Position:

Name of person completing this form:

Date completed:

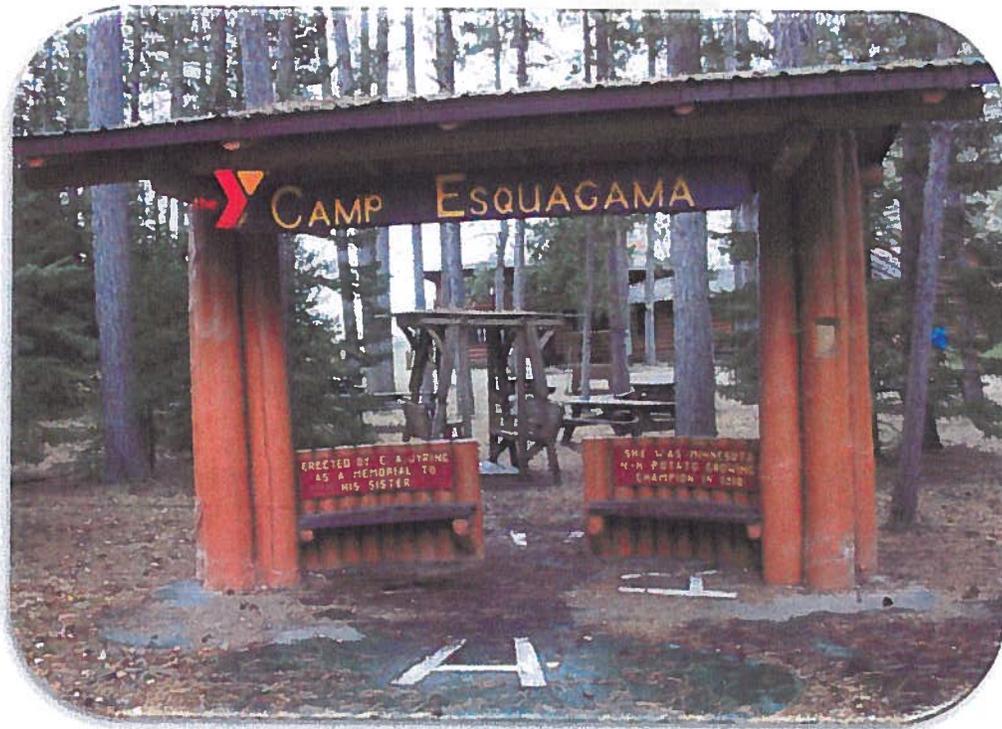
Signature:

Chris Francis

# Proposal for the Management and Operation of the St. Louis County's Camp Esquagama

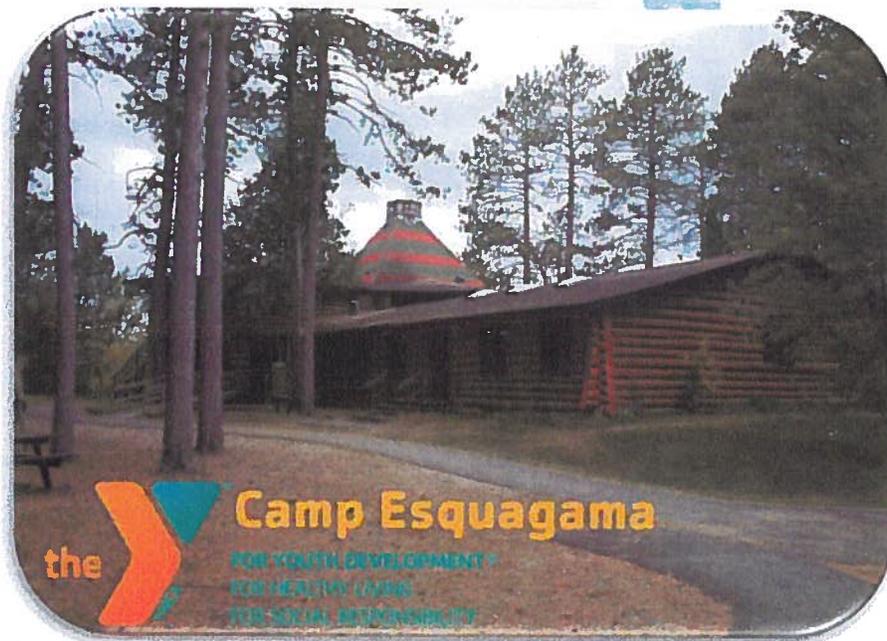
October 5, 2012

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Appendix F (Financial Statement)	



## VISION FOR MANAGEMENT

The vision of the Duluth YMCA Camping Services Branch is to provide quality youth and family programming through management and operations of St. Louis County's Camp Esquagama. YMCA Camping Services is dedicated to putting the principles of caring, honesty, respect and responsibility into practice through programs that build healthy spirit, mind and body for all. Guided by our mission, our vision for Camp Esquagama is to enhance the current culture, programs and sustainability by implementing our established YMCA camping principles and practices. What separates the Y from other residential camp operators is our intentional focus on developing youth and adult's independence and self-reliance through physical, social and educational activities. These activities provide participants the opportunities to take initiative and develop social and problem solving skills.

Management for Camp Esquagama would be a shared partnership between YMCA Camping Services and St. Louis County. Full operations and management including fundraising and marketing will be the responsibility of the Y. This partnership will include decreasing incremental annual operational subsidies from St. Louis County for the first five years of contract providing the opportunity for self-sufficiency. We propose that the county's capital investment and improvement responsibility will last 10 years. In year 11, the county will consider transferring all assets to the Duluth YMCA. The Duluth YMCA would at this time take control of both capital and operational responsibility, with the expectation to continue serving the youth of St. Louis County. Should the county not wish to release assets; the county will remain the responsible party for capital investments and improvements.

It is also the vision of Duluth YMCA Camping Services to make the necessary improvements within programming and buildings and grounds which will not only allow the camp to become accredited by the American Camp Association (ACA), but to also comply with other accrediting agencies within the first three years of operation. ACA accreditation holds each camp accountable to a set of standards which have been established as a national best practice criterion in the camping industry. In order to meet these standards, Camp Esquagama must make improvements to both programming and facilities. The following chart demonstrates the necessary facility improvements needed for accreditation. Programming improvements would occur year one naturally by implementing our YMCA Camping Services program model.

Area of Improvement	Description	Year
Kitchen	dishwasher, storage, stainless steel, drop ceiling, floor, re-wire (GFC outlets state code), commercial food warmer	2013
Housing	ACA/Fire Marshal does not allow occupancy on second floor above kitchen, logical housing fix: 5 Pacific Yurts over three years (sleeps 10 campers each)	2013-2015
Stairways	Safety hazard, intentionally inviting	2013
Fire & Safety Equipment	All buildings must be equipped with proper safety equipment and fire extinguisher	2013

## OPERATIONS / ADMINISTRATIVE MANAGEMENT

Through this proposal, YMCA Camping Services will relieve St. Louis County from all operations, administrative oversight and direct services. The following operations and administrative services are available through our Camping Services Branch of the YMCA:

Service Provided	YMCA/ Camping Services Affiliate	Title
Business Oversight	Chris Francis	YMCA CEO
Financial Development	Bridgit Maruska	Executive Director Camping Branch
Direct Oversight	Eric Sommer	Operations Director Camping Branch
Retreat Development	Damita Miller-Chasson	Retreat Director Camping Branch
Financial Advising	Leslie Hanna Smitke	YMCA CFO
Marketing	Molly Nelson	Marketing Director Downtown Branch
Accounts Receivable	Lynn McComber	Accounting Associate
Registrations	Seasonal	Office Manager
Book Keeping	Kye Madrinich	Accounting Associate
Buildings and Grounds	Greg Burns	Property Manager

Our well developed and structured administrative team will bring much needed expertise to Camp Esquagama's operations. With this experienced team already assembled, the transition will be quick and efficient allowing for successful changeover within the first camping season.

In addition to our administrative staff, the YMCA has an abundance of resources in the volunteers who sit on our boards. Below is listed the current members of our three boards that directly support Camping Services.

YMCA Camping Branch Board Member	Company or Occupation
Andy Wheeler, Branch Board Chair	Wheeler & Associates
Briana Johnson, Association Vice Chair	Spirit Mountain
Steve Grindy	Borealis Development, LLC
Jeff Palmer	Retired CEO, Duluth YMCA
Mark Hanna	Courage Center Duluth
Hollie Parsons	North Point Geographic Solutions
Richard Haney	Lake Superior College
Jeff Heskin	Essentia Health

YMCA Association Board Member	Company or Occupation
Catherine Carter Huber	St. Luke's Foundation
Scott Hanson	Kolquist, Seitz & Goldman, CPA
James Spreitzer	RSM McGladrey
Jane Haubrich Casperson	St. Louis County
Briana Johnson	Spirit Mountain
David Mast	St. Luke's Pavillion
Kevin Peterson, Association Board Chair	Financial Development
Mia Thibodeau	Fryberger, Buchanan, Smith & Fredrick PA

Mimi Stender	Fit City Duluth
Kristi Stokes	Greater Downtown Council
Andy Wheeler	Wheeler & Associates

<b>YMCA Heritage Foundation Board Member</b>	<b>Company or Occupation</b>
Fran Hoene, Heritage Board Chair	Benefit Plan Consultants
Steve Grindy	Borealis Development, LLC
Jeff Palmer	Retired CEO, Duluth YMCA
Kathleen Heltzer	UMD Department of Social Work
Scott Hanson	Kolquist, Seitz & Goldman, CPA
Jane Haubrich Casperson, Vice Chair	St. Louis County
Steve LaFlamme	Oneida Realty
Kevin Peterson	Financial Development
Cindy Finch	Woodland Hills
Jim Spreitzer	RSM McGladrey
Jim Wheeler	Wheeler Associates

The immediate success of Camp Esquagama relies heavily on a revised budget focusing mostly on staff salary expenses. Our staffing model (Appendix D) and Staff Payroll Structure (Appendix E) details an efficient use of salaried Y employees to relieve the financial burden of hiring a full time director. Our model utilizes a seasonal assistant director to oversee the day to day operations at camp for the first three years, under the leadership of Eric Sommer, Camping Branch Operations Director; thus ensuring efficiency and maintaining excellence. Behind the structure and titles lies the key to a successfully operated summer camp. An enthusiastic and passionate administration will empower the entire Camp Esquagama Staff, creating a positive camp culture which will be evident to participants and parents.

## **MARKETING**

Camp Esquagama fits directly into YMCA Camping Services established marketing plan/campaign. Our marketing campaign has historically been established on a successful grassroots approach; capitalizing on word of mouth, happy moms and community connections. It is well known in the camping industry that word of mouth promotion is the best means of marketing. Word of mouth or viral marketing takes place only after campers go home with a positive experience. This type of marketing builds upon itself but is reliant on monetary marketing as a start up.

Immediate promotions of Esquagama will include a strategic press release promoting the Y's partnership with the camp, detailing the new and improved programming available. Multiple opportunities will be available for community members to visit the camp and participate in camp activities through open houses. In addition, a community survey will be issued to collect information about how Camp Esquagama can best provide for the community.

The YMCA is in a management contract with the Mesabi YMCA in Mt. Iron. This direct connection allows for marketing to approximately 2,000 members in the immediate community of Camp Esquagama and this relationship will benefit many more children in the Quad City area.

Our marketing plan includes a part-time marketing director position for three years, transitioning into an internship position. A focused effort directly on marketing will show immediate results in camper number increases. As stated earlier, a decrease in monetary based marketing over a number of years will be offset by viral marketing. Below is a chart reflecting a direct correlation between aggressive marketing and camper numbers.

Year	Marketing Payroll	Advertising Budget	Marketing Total	Camper Numbers
2013	\$7,680.00	\$9,000.00	\$16,680.00	315
2014	\$7,680.00	\$7,000.00	\$14,680.00	360
2015	\$7,680.00	\$5,000.00	\$12,680.00	405
2016	\$3,200.00	\$3,000.00	\$6,200.00	450
2017	\$3,200.00	\$3,000.00	\$6,200.00	495
2018	\$3,200.00	\$3,000.00	\$6,200.00	522

A well designed brochure, updated and informative website, school visits, and billboard marketing are important marketing tools to establish a camper base. Camp Esquagama will be included in the Y's Camping Services annual camping services guide/brochure. The distribution of over 25,000 copies of this brochure are strategically dispersed to schools, churches, community gathering sites and directly mailed to past campers. In addition to the brochure, a serious effort to meet with the Camp Esquagama community would happen immediately with past campers, past alumni families, community organizations and businesses in the regional and range cities.

We will require all documentation of prior camper, alumni, and donor contact lists from Camp Esquagama. In addition to mailing lists, we require all marketing materials, databases and full transparency of electronic and hard files relating to Camp Esquagama. This information is essential to the success of all marketing/donor relations campaigns.

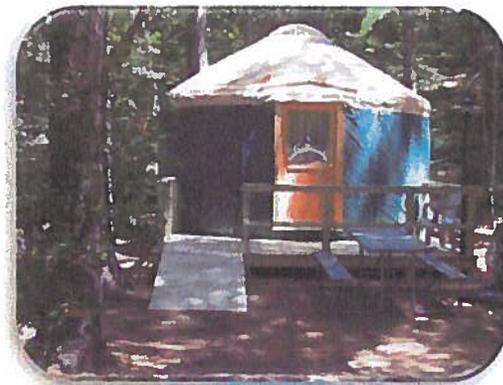
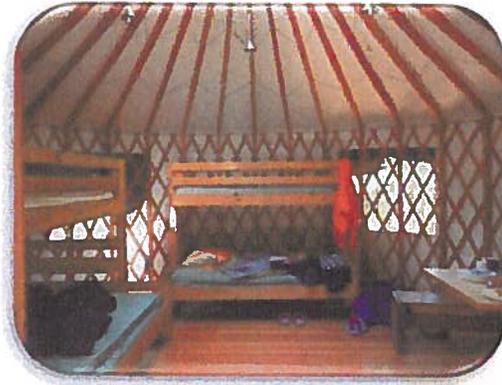
## PROPERTY MANAGEMENT

YMCA Camping Services will maintain direct oversight of Camp Esquagama buildings and grounds which includes minor and basic repairs and maintenance as well as timely notification and advice to St. Louis County if any major repairs/maintenance needs to be made. Camp Property Manager, Greg Burns, will maintain basic daily and preventative maintenance of grounds and buildings. We will also cover any low fee contract service maintenance. This does not include any capital improvements to Esquagama or high cost contract service fees.

The Camp will need immediate improvements in the beginning of the 2013 camping season, with major improvements displayed in the Three Year Improvement Plan (see appendix B). These improvements will include the following prior to June 1, 2013:

- Main Lodge Roof: Contracted through Duluth YMCA Camping Services, paid for by St. Louis County.
- Kitchen Upgrade
  1. Drop ceiling
  2. New commercial dishwasher
  3. Outdoor walk-in freezer

4. Outdoor walk-in cooler
  5. Commercial convection oven
  6. Kitchen rewire
- Two of five Pacific Yurts: The current state of sleeping quarters in the upper level of the main lodge does not meet fire marshal code. Currently, 51 of the 102 beds are in this space, leaving us with a diminished capacity for weekly camper enrollment and staff sleeping quarters. Pacific Yurts are a desirable and relatively inexpensive way to make up housing shortages. These yurts are also advantageous to potential retreats and can be easily winterized.



## CAMPING MANAGEMENT SKILLS AND QUALIFICATION

**The YMCA has provided quality residential camp programming since 1898 with Camp Miller being the oldest YMCA residential camp in the state of Minnesota.** Over the years, comprehensive policies and procedures have been developed through implementation of best practices within the camping industry. These policies and procedures will be easily transferable to Camp Esquagama.

The current Duluth Y Camping Services Branch management has a track record of successfully turning around YMCA Camp Miller from a decade of deficit to a profit in year one. Camping Branch Executive Director, Bridgit Maruska, has a great passion for residential camping and the continued success of the industry because of the impact camping has on children. Over fourteen years of YMCA employment, Bridgit Maruska, has progressed through the YMCA's professional development training model with a focus on camp marketing and development. Maruska received a secondary education degree from the University of Wisconsin, Superior and after teaching, she transitioned back to the career she dreamed of, Executive Director of Camping Services.

Chris Francis, President and CEO of the Duluth YMCA holds a master's degree from Springfield College in organizational leadership and a bachelor of science degree in exercise science from Campbell University. Francis is actively involved in the community through Rotary Club 25, youth soccer coach, Portman Hockey, and as a member of Vineyard Church of Duluth.

Camping Branch Operations Director, Eric Sommer, is specifically drawn to Camp Esquagama's site because of its abundant recreational and adventure based programming opportunities. Sommer's passion for developing outdoor recreation and camp programming stems from a career in adventure education. He graduated from the University of Minnesota, Duluth with a degree in outdoor

education and recreation, with an emphasis in adventure education. Sommer’s continued education involves presenting and attending multiple national level industry related conferences. Sommer specializes in teaching wilderness travel and ropes course management. Sommer holds a variety of certifications including: Wilderness First Responder, American Canoe Association Instructor, National Archery Instructor, and Ropes Course Manager. Together Maruska and Sommer have 15 years of residential and day camp operations experience.

**FIVE YEAR BUSINESS PLAN**

Refer to Appendix A: Camp Esquagama 2013 - 2018 Budget

Within year one, the price to attend a six day camp will increase from original Camp Esquagama pricing to match YMCA Camp Miller overnight camping pricing. As one organization, it is imperative to price both quality and similar programming at the same rate for consistency and to prevent competition. This pricing structure is currently the most affordable Y camping price in the region.

**COST OF ONE WEEK AT A NORTHERN MN/WI OVERNIGHT CAMP**

St. Louis County Camp Esquagama (2012)	\$330
YMCA Camp Miller/Camp Esquagama (Sturgeon Lake, MN/Gilbert, MN)	\$410
YMCA Camp Icaghowan (Amery, WI)	\$485
Wolf Ridge Residential Camp (Finland, MN)	\$500
YMCA Camp Olson (Longville, MN)	\$536
YMCA Camp Warren (Eveleth, MN)	\$545
YMCA Menogyn (Grand Marais, MN)	\$765
YMCA Camp Manito-Wish (Boulder Junction, WI)	\$850

With the immediate programming improvements and quality camping experience, parents will find value in their dollars spent. Due to the cost increase, our budget will reflect a conservative 15% drop in initial numbers from the July 30, 2012 Camp Esquagama Registration Report. Camper numbers will increase each year with a higher quality program and more awareness of the new YMCA operated Camp Esquagama.

One of Camp Esquagama’s biggest appeals is its location to adventure/recreation areas including the St. Louis River, Boundary Waters Canoe Area Wilderness, and the Superior Hiking Trail. Our budget plan includes a wilderness tripping program designed to get campers into wilderness settings. Our age progressive camps will range from a 1-2 day paddle down the “Chain of Lakes” to a 5 day paddle in the Boundary Waters. The budget reflects the continued growth of the program as the camper numbers increase.

Our business plan includes a family camp each season designed to generate revenue and create a “buzz” around a new and improved Camp Esquagama. Hosting a family camp is one of the best ways to let parents see for themselves what our programming entails and encourage their active participation in camp.

It is appropriate that St. Louis County will be subsidizing the camp for the first five years as a security and a commitment from the county’s end. It is important to also note that the subsidy will

decrease \$20,000 annually until the end of the five year cycle when Esquagama will be 100% operationally sustainable.

<b>Year</b>	<b>St. Louis County Subsidy</b>
2013	\$90,000
2014	\$70,000
2015	\$50,000
2016	\$30,000
2017	\$10,000
2018	\$0.00

Camp Esquagama needs immediate upgrades in program areas to be able to compete with other regional residential camps. Each year the budget allots for multiple new and exciting program areas reflected in the 5 year program development plan (Appendix C). The expense demonstrates an ample repair and maintenance fund that will help towards the general maintenance discussed earlier. This fund will help with upkeep and preventative maintenance with everyday operations.

It is very possible that some of the subsidy from St. Louis County will not be utilized within the first five years. Any subsidy not expended which would show as a surplus, will go back to St. Louis County upon the end of each fiscal year or be used for other camp improvements as deemed appropriate and necessary by St. Louis County.

## **COMMUNITY OUTREACH**

The YMCA as an organization is a community provider in youth development, healthy living, and social responsibility. YMCA Camp Esquagama will provide mission driven community outreach programs. Our planned community needs assessment will gauge the desires of the local region, and help plan programs which support our mission. There is potential for the following: community potlucks, open houses, open Nordic skiing (future development of trails), and community rental usage. The possibilities are endless and will be determined through the needs assessment.

Administrative staff from the YMCA will outreach to Camp Esquagama supporters (alumni, board members, community businesses) who are invested in or could invest in Camp Esquagama. A strategic donor relationship will be built to provide future scholarship funding on an annual basis. There is also potential to begin an endowment fund for scholarships with the right planning and donor relationships. Establishing this donor base would be a priority within the first five years.

## **FINANCIAL STATEMENT**

See Appendix F

### Appendix A: Camp Esquagama 5 year Budget

Item	2013	2014	2015	2016	2017	2018
Camper Scholarship Fund (alumni support)	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
St. Louis County Grant	\$ 90,000.00	\$ 70,000.00	\$ 50,000.00	\$ 30,000.00	\$ 10,000.00	\$ 194,975.00
Camper Fees	\$ 115,075.00	\$ 137,800.00	\$ 159,075.00	\$ 172,250.00	\$ 187,885.00	\$ (15,000.00)
Camper Scholarships	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)
Wilderness Trip Program		\$ 3,600.00	\$ 7,200.00	\$ 10,800.00	\$ 10,800.00	\$ 14,400.00
Family Camp	\$ 3,500.00	\$ 3,300.00	\$ 3,300.00	\$ 4,300.00	\$ 4,400.00	\$ 4,500.00
Women's Group	\$ 5,250.00	\$ 7,200.00	\$ 8,160.00	\$ 8,750.00	\$ 9,000.00	\$ 10,450.00
Retreats			\$ 8,000.00	\$ 9,000.00	\$ 8,000.00	\$ 18,000.00
Merchandise Sales	\$ 6,750	\$ 6,875	\$ 7,000	\$ 7,125	\$ 7,250	\$ 7,375
<b>Total Income:</b>	<b>\$ 220,575.00</b>	<b>\$ 228,775.00</b>	<b>\$ 242,735.00</b>	<b>\$ 242,225.00</b>	<b>\$ 237,335.00</b>	<b>\$ 249,700.00</b>
Salaries and Benefits	\$ 103,679.01	\$ 112,492.59	\$ 119,400.09	\$ 126,657.90	\$ 128,990.71	\$ 130,240.31
Program Costs	\$ 17,900.00	\$ 19,000.00	\$ 22,600.00	\$ 18,500.00	\$ 8,000.00	\$ 8,000.00
Food Service Costs	\$ 19,000.00	\$ 18,240.00	\$ 22,240.00	\$ 20,600.00	\$ 24,600.00	\$ 28,600.00
Occupancy	\$ 23,000.00	\$ 23,000.00	\$ 23,000.00	\$ 23,000.00	\$ 23,000.00	\$ 25,800.00
Marketing	\$ 13,250.00	\$ 11,250.00	\$ 9,250.00	\$ 7,250.00	\$ 7,250.00	\$ 7,250.00
Employee Training Costs	\$ 9,400.00	\$ 9,400.00	\$ 9,400.00	\$ 9,400.00	\$ 9,400.00	\$ 9,400.00
Merchandise for Resale	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Office Expenses	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Vehicle Expense	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 3,500.00
Credit Card Processing	\$ 2,646.90	\$ 2,745.30	\$ 2,912.82	\$ 2,906.70	\$ 2,848.02	\$ 2,996.40
YMCA Administrative Fee	\$ 22,057.50	\$ 22,877.50	\$ 24,273.50	\$ 24,222.50	\$ 23,733.50	\$ 24,970.00
<b>Total Expenses:</b>	<b>\$ 220,433.41</b>	<b>\$ 228,505.39</b>	<b>\$ 242,576.41</b>	<b>\$ 242,037.10</b>	<b>\$ 237,322.23</b>	<b>\$ 248,756.71</b>
<b>Net:</b>	<b>\$ 141.59</b>	<b>\$ 269.61</b>	<b>\$ 158.59</b>	<b>\$ 187.90</b>	<b>\$ 12.77</b>	<b>\$ 943.29</b>

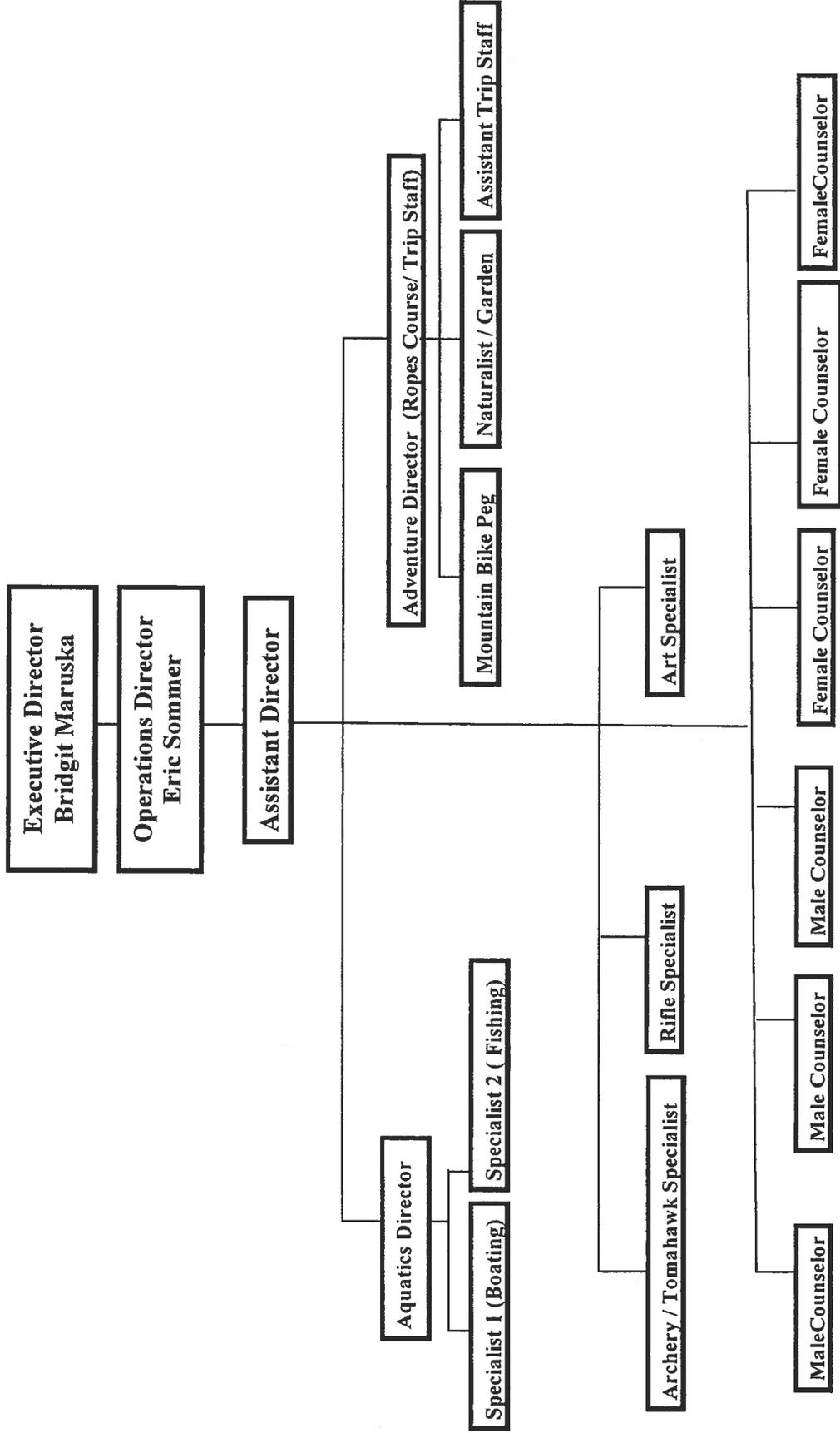
## Appendix B: 3 Year Camp Esquagama Improvement Plan

<b>2013 Improvements</b>		
Development Area	amount	note
Pacific Yurt's (2)	\$ 20,380.00	2 Yurts @ \$10,190 a piece
Yurt Decking/ Wood Stove	\$ 4,000.00	2 decks @ \$1,000 a piece, 2 stoves @ \$1,000 a piece
Kitchen Floor	\$ 5,000.00	Tile, Grout, Labor
Drop Ceiling	\$ 3,000.00	Ceiling, Lighting, electrical
Dishwasher	\$ 5,000.00	
Outdoor Walk-in Portable Freezer	\$ 7,520.00	MasterBilt PRS2W60606
Outdoor Walk-in Cooler	\$ 5,175.00	MasterBilt PRS2720606
Commercial Convection Over	\$ 5,000.00	
Kitchen Re-wire	\$ 10,000.00	
North side Walk way	\$ 8,000.00	mortar, stone, Labor
Southside Walkway	\$ 8,000.00	mortar, stone, Labor
<b>Total:</b>	<b>\$ 81,075.00</b>	
<b>2014 Improvements</b>		
Development Area	amount	note
Pacific Yurt's (2)	\$ 20,380.00	2 Yurts @ \$10,190 a piece
Yurt Decking/ Wood Stove	\$ 4,000.00	2 decks @ \$1,000 a piece, 2 stoves @ \$1,000 a piece
Lodge Roof	\$ 100,000.00	Material, Labor
Re-finish Dining Room Floor	\$ 10,000.00	Sander Rental, sand paper, labor, Polyurethane
<b>Total</b>	<b>\$ 134,380.00</b>	
<b>2015 Improvements</b>		
Development Area	amount	note
Pacific Yurt	\$ 10,190.00	1 Yurt @ \$10,190
Yurt Decking/ Wood Stove	\$ 2,000	1 deck @ \$1,000, 1 stove @ \$1,000
Blue Stone Patio/ Pillars	\$ 8,000.00	mortar mix, silica-sand, labor
<b>Total</b>	<b>\$ 20,190.00</b>	
<b>Improvement Plan Total</b>	<b>\$ 235,645.00</b>	

### Appendix C: 5 year Program Development

Developed Area	Amount	notes	year
Low Initiative Course	\$ 5,000.00	lumber/ hardware	1
Gaga Pit	\$ 400.00	lumber/ hardware	1
Tomahawk Throw	\$ 500.00	axes	1
Art room	\$ 3,000.00	tables, supplies,	1
Outdoor Cooking	\$ 1,500.00	dutch ovens, fire grates, prep area	1
<b>Year 1 Total:</b>	<b>\$ 10,400.00</b>		
Fishing Gear	\$ 3,000.00	poles and tackle	2
Frisbee Golf Course	\$ 6,000.00	9 hole course (Baskets and discs)	2
Floating Water Island	\$ 4,000.00	lumber/ hardware, floats	2
<b>Year 2 Total:</b>	<b>\$ 13,000.00</b>		
Mountain Bikes	\$ 5,500.00	14 bikes	3
Mountain bike course	\$ 2,500.00	lumber and gravel	3
Tomahawk	\$ 500.00	axes	3
outdoor Yoga/fitness platform	\$ 600.00	lumber and material	3
Yoga pads	\$ 300.00	15 pads	3
Barn Yard	\$ 5,200.00	Shed (lumber/ hardware), animals	3
<b>Year 3 Total</b>	<b>\$ 14,600.00</b>		
River Kayaks	\$ 6,000.00	8 kayaks @ \$1000	4
Paddle Boards	\$ 4,500.00	8 boards and paddles	4
<b>Year 4 Total</b>	<b>\$ 10,500.00</b>		
<b>Potential Donation Items</b>			
Climbing Tower	\$ 15,000.00	poles, lumber, and equipment	
High Ropes Course	\$ 70,000.00	poles, hardware, and equipment	
Pottery Studio	\$ 7,500.00	wheels and kiln	

# Appendix D: Camp Esquagama Staffing Model



## Appendix E: Camp Esquagama Payroll Structure 2013-15

Retreat Season						
Title	Hourly Rate	Hours per retreat	retreats	Total		
Kitchen/ Housekeeping Manager	\$11.00	32	2	\$704		
Cook/ Housekeeping (2)	\$ 10.00	32	2	\$640		
Dish washers/ Housekeeping (2)	\$ 8.00	32	2	\$512		
Pre-season Staff						
<b>Title/ Name</b>	<b>Hourly Rate</b>	<b>Hours per week</b>	<b>weeks</b>	<b>total</b>	<b>notes</b>	
Assistant Director	\$ 11.00	20	8	\$ 1,760.00		
Kitchen/ Housekeeping Manager	\$10.00	40	1	\$ 480.00		
Camp Season						
<b>Title</b>	<b>How many</b>	<b>Rate per week</b>	<b>weeks</b>	<b>total</b>		
Aquatics Director	1	\$ 225.00	11	\$ 2,475.00		
Trip Director	1	\$ 275.00	11	\$ 3,025.00		
Assistant Directors/ Specialists	8	\$ 200.00	10	\$ 16,000.00		
Counselors (+18 yrs old)	6	\$ 175.00	10	\$ 10,500.00		
Counselors (16 - 17 years old)	0	\$ -	0	\$ -		
Retreat Season						
Kitchen/ Housekeeping Manager	1	\$ 400.00	11	\$ 4,400.00	40 hrs. week/ \$12 an hr.	
Cook/ Housekeeping	2	\$ 212.50	10	\$ 4,250.00	25 hrs. week/ \$8.50 an hr.	
Dish washers Housekeeping	2	\$ 150.00	10	\$ 3,000.00	20 hrs. week/ \$7.50 an hr.	
Camp Season						
Office Manager	1	\$ 250.00	15	\$ 3,750.00	25 hrs. week/ \$10 an hr.	
Pre-season Staff						
Assistant Director	1	\$ 440.00	13	\$ 5,720.00		
				<b>Total:</b>	<b>\$57,216</b>	

## Appendix E: Camp Esquagama Salaries 2016-18

Retreat Season						
Title	Hourly Rate	Hours per retreat	retreats	Total	notes	
Kitchen/ Housekeeping Manager	\$10.00	8	4	\$384		
Cook/ Housekeeping (2)	\$ 10.00	4	4	\$160		
Dish washers/ Housekeeping (2)	\$ 8.00	3	4	\$96		
Pre-season Staff						
Title/ Name	Hourly Rate	Hours per week	weeks	total	notes	
Kitchen/ Housekeeping Manager	\$10.00	40	1	\$ 480.00		
Camp Season						
Title	How many	Rate per week	weeks	total	notes	
Aquatics Director	1	\$ 225.00	11	\$ 2,475.00		
Trip Director	1	\$ 275.00	11	\$ 3,025.00		
Assistant Directors/ Specialists	8	\$ 200.00	10	\$ 16,000.00		
Counselors (+18 yrs old)	6	\$ 175.00	10	\$ 10,500.00		
Counselors (16 - 17 years old)	0	\$ -	0	\$ -		
Office Manager						
Kitchen/ Housekeeping Manager	1	\$ 400.00	11	\$ 4,400.00	40 hrs. week/ \$12 an hr.	
Cook/ Housekeeping	2	\$ 212.50	10	\$ 4,250.00	25 hrs. week/ \$8.50 an hr.	
Dish washers Housekeeping	2	\$ 150.00	10	\$ 3,000.00	20 hrs. week/ \$7.50 an hr.	
Office Manager	1	\$ 250.00	15	\$ 3,750.00	25 hrs. week/ \$10 an hr.	
				<b>Total:</b>	<b>\$48,520</b>	

**DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA**

**ANNUAL FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2011 AND 2010  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

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DECEMBER 31, 2011 AND 2010

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Thomas J. Eling, CPA  
Thomas L. Sykes, CPA of Counsel

Independent Auditor's Report

April 10, 2012

Board of Directors  
Duluth Area Family YMCA  
Duluth, Minnesota

We have audited the accompanying statements of financial position of the Duluth Area Family YMCA (a Minnesota corporation organized not-for-profit) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Duluth Area Family YMCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Duluth Area Family YMCA as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2012 on our consideration of the Duluth Area Family YMCA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Eikill & Schilling Ltd.*

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 24,442	\$ 1,464	\$	\$ 25,906
Accounts receivable	21,140			21,140
Grants receivable	152,206			152,206
Due from the Duluth Area Family YMCA Heritage Foundation, Inc.	41,777			41,777
Promises to give	2,703	301,958		304,661
Prepaid expenses	15,988			15,988
Inventories	6,782			6,782
<b>Total current assets</b>	<b>265,038</b>	<b>303,422</b>		<b>568,460</b>
<b>Land, building, and equipment</b>				
Equipment, net	388,504			388,504
<b>Noncurrent assets</b>				
Promises to give		124,556		124,556
Beneficial interest in trusts held by others			3,060,090	3,060,090
Beneficial interest in the Duluth Area Family YMCA Heritage Foundation, Inc.		7,353,946		7,353,946
<b>Total long-term assets</b>		<b>7,478,502</b>	<b>3,060,090</b>	<b>10,538,592</b>
<b>Total assets</b>	<b>\$ 653,542</b>	<b>\$ 7,781,924</b>	<b>\$ 3,060,090</b>	<b>\$ 11,495,556</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Short-term note	\$ 145,575	\$	\$	\$ 145,575
Accounts payable	132,649			132,649
Accrued expenses	93,795			93,795
Custody funds	90,473			90,473
Deferred revenue	126,252			126,252
Capital lease payable	9,056			9,056
<b>Total current liabilities</b>	<b>597,800</b>			<b>597,800</b>
<b>Long-term liabilities</b>				
Note payable - Duluth Area Family YMCA Heritage Foundation, Inc.	150,000			150,000
<b>Total liabilities</b>	<b>747,800</b>			<b>747,800</b>
<b>Net Assets</b>				
Undesignated (deficit)	(94,258)			(94,258)
Temporarily restricted		427,978		427,978
Trusts held by others to benefit the YMCA			3,060,090	3,060,090
Assets held by the Duluth Area Family YMCA Heritage Foundation, Inc. to benefit the YMCA		7,353,946		7,353,946
<b>Total net assets</b>	<b>(94,258)</b>	<b>7,781,924</b>	<b>3,060,090</b>	<b>10,747,756</b>
<b>Total liabilities and net assets</b>	<b>\$ 653,542</b>	<b>\$ 7,781,924</b>	<b>\$ 3,060,090</b>	<b>\$ 11,495,556</b>

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 69,462	\$ 1,463	\$	\$ 70,925
Investments		12,354		12,354
Accounts receivable	31,006			31,006
Grants receivable	221,152			221,152
Due from the Duluth Area Family YMCA Heritage Foundation, Inc.	142,136	1,596,251		1,738,387
Promises to give		513,133		513,133
Due from operating funds		108,677		108,677
Prepaid expenses	599			599
Inventories	5,180			5,180
Total current assets	<u>469,535</u>	<u>2,231,878</u>		<u>2,701,413</u>
<b>Land, building, and equipment</b>				
Equipment, net	<u>191,796</u>			<u>191,796</u>
<b>Noncurrent assets</b>				
Promises to give		526,581		526,581
Beneficial interest in trusts held by others			3,336,237	3,336,237
Beneficial interest in the Duluth Area Family YMCA Heritage Foundation, Inc.		<u>3,209,400</u>		<u>3,209,400</u>
Total long-term assets		<u>3,735,981</u>	<u>3,336,237</u>	<u>7,072,218</u>
Total assets	<u>\$ 661,331</u>	<u>\$ 5,967,859</u>	<u>\$ 3,336,237</u>	<u>\$ 9,965,427</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Current liabilities</b>				
Short-term note	\$ 283,730	\$	\$	\$ 283,730
Accounts payable	273,924			273,924
Accrued expenses	61,946			61,946
Due to the capital campaign	108,677			108,677
Custody funds	80,771			80,771
Deferred revenue	26,562			26,562
Current portion capital lease	11,737			11,737
Total current liabilities	<u>847,347</u>			<u>847,347</u>
<b>Long-term liabilities</b>				
Capital lease payable	<u>9,056</u>			<u>9,056</u>
Total liabilities	<u>856,403</u>			<u>856,403</u>
<b>Net Assets</b>				
Undesignated (deficit)	(195,072)			(195,072)
Temporarily restricted		2,758,459		2,758,459
Trusts held by others to benefit the YMCA			3,336,237	3,336,237
Assets held by the Duluth Area Family YMCA Heritage Foundation, Inc. to benefit the YMCA		<u>3,209,400</u>		<u>3,209,400</u>
Total net assets	<u>(195,072)</u>	<u>5,967,859</u>	<u>3,336,237</u>	<u>9,109,024</u>
Total liabilities and net assets	<u>\$ 661,331</u>	<u>\$ 5,967,859</u>	<u>\$ 3,336,237</u>	<u>\$ 9,965,427</u>

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Public support				
Contributions	\$ 740,972	\$ 44,249	\$	\$ 785,221
Received from federated campaign	108,777			108,777
Grants	1,285,290			1,285,290
Special events, net costs of \$24,189	17,122			17,122
Total public support	<u>2,152,161</u>	<u>44,249</u>		<u>2,196,410</u>
Released from restrictions	<u>2,369,504</u>	<u>(2,369,504)</u>		
Revenue				
Membership dues	1,342,418			1,342,418
Activity fees	660,258			660,258
Camp fees	251,710			251,710
Rental of facilities	122,646			122,646
Merchandise sales	18,929			18,929
Loss on disposition of assets	(15,938)			(15,938)
Miscellaneous	19,329			19,329
Change in value of beneficial interest in assets held by others		4,139,320	(276,147)	3,863,173
Total revenue	<u>2,399,352</u>	<u>4,139,320</u>	<u>(276,147)</u>	<u>6,262,525</u>
Total public support and revenue	<u>6,921,017</u>	<u>1,814,065</u>	<u>(276,147)</u>	<u>8,458,935</u>
Expenses				
Operating departments				
Day Camp	75,040			75,040
Camping	355,930			355,930
Mentor Duluth	302,098			302,098
Adult physical	580,749			580,749
Building services	711,396			711,396
Americorp	1,259,462			1,259,462
School's Out	325,316			325,316
Membership	299,714			299,714
Lake Superior initiative	133,740			133,740
Supporting departments				
Management and general	542,528			542,528
Fund raising	89,730			89,730
Total expenses	<u>4,675,703</u>			<u>4,675,703</u>
Transfer of captial campaign funds to the Duluth Area Family YMCA Heritage Foundation, Inc.	<u>2,144,500</u>			<u>2,144,500</u>
Change in net assets	100,814	1,814,065	(276,147)	1,638,732
Net assets, beginning of year	<u>(195,072)</u>	<u>5,967,859</u>	<u>3,336,237</u>	<u>9,109,024</u>
Net assets, end of year	<u>\$ (94,258)</u>	<u>\$ 7,781,924</u>	<u>\$ 3,060,090</u>	<u>\$ 10,747,756</u>

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue				
Public support				
Contributions	\$ 865,119	\$ 173,370	\$	\$ 1,038,489
Received from federated campaign	112,539			112,539
Grants	1,906,755			1,906,755
Special events, net costs of \$24,162	11,345			11,345
Total public support	<u>2,895,758</u>	<u>173,370</u>		<u>3,069,128</u>
Released from restrictions	<u>39,034</u>	<u>(39,034)</u>		
Revenue				
Membership dues	1,166,853			1,166,853
Activity fees	580,932			580,932
Camp fees	232,795			232,795
Rental of facilities	121,864			121,864
Merchandise sales	15,152			15,152
Unrealized gain on investment		2,456		2,456
Miscellaneous	10,853			10,853
Change in value of beneficial interest in assets held by others		<u>(1,152,012)</u>	<u>250,840</u>	<u>(901,172)</u>
Total revenue	<u>2,128,449</u>	<u>(1,149,556)</u>	<u>250,840</u>	<u>1,229,733</u>
Total public support and revenue	<u>5,063,241</u>	<u>(1,015,220)</u>	<u>250,840</u>	<u>4,298,861</u>
Expenses				
Operating departments				
School's Out/Day Camp	323,647			323,647
Camping	312,257			312,257
Mentor Duluth	329,730			329,730
Adult physical	525,079			525,079
Building services	626,270			626,270
Americorp	1,172,709			1,172,709
21st Century	74,946			74,946
Membership	254,088			254,088
Lake Superior Initiative	714,537			714,537
Supporting departments				
Management and general	407,774			407,774
Fund Raising	118,736			118,736
Total expenses	<u>4,859,773</u>			<u>4,859,773</u>
Change in net assets	203,468	(1,015,220)	250,840	(560,912)
Net assets, beginning of year	<u>(398,540)</u>	<u>6,983,079</u>	<u>3,085,397</u>	<u>9,669,936</u>
Net assets, end of year	<u>\$ (195,072)</u>	<u>\$ 5,967,859</u>	<u>\$ 3,336,237</u>	<u>\$ 9,109,024</u>

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Operating Departments										Total
	Day Camp	Camping	Mentor Duluth	Adult Physical	Building Services	Americorp	School's Out	Membership	Lake Superior Initiative		
Salaries and wages	\$ 43,723	\$ 138,290	\$ 165,216	\$ 422,023	\$ 202,839	\$ 942,308	\$ 199,406	\$ 176,576	\$ 28,939	\$ 2,319,320	
Employee benefits	418	14,576	35,356	43,130	25,637	99,882	22,635	29,015	4,021	274,670	
Payroll taxes and worker's compensation	3,597	16,902	13,143	34,641	16,698	78,964	16,821	15,338	2,056	198,160	
Total salaries and related expenses	47,738	169,768	213,715	499,794	245,174	1,121,154	238,862	220,929	35,016	2,792,150	
Purchased or contracted services		980	8,135	60		1,151			70,999	81,325	
Supplies	15,951	89,846	23,724	44,848	60,286	11,049	48,379	10,049		304,132	
Telephone		3,797	255	40	11,425		1,377			16,894	
Postage	101	1,020	2,649	401		573	501	2,822		8,067	
Occupancy	7,120	68,026	36,958		305,816	47,041	28,277			493,238	
Expendable equipment costs	674	746	897	9,813	15,586					27,716	
Printing and promotion	2,634	10,506	6,014	10,228		532	423	24,826	12	55,175	
Travel and employee expenses	483	9,492	7,614	14,336		41,579	574	828	25	74,931	
Membership and dues	339	1,596	975	113				218		3,241	
Awards and grants						16,977			27,688	44,665	
Bank charges											
Miscellaneous		153	1,162	1,116	1,941	19,406	6,923	40,042		70,743	
Total expenses before depreciation	75,040	355,930	302,098	580,749	640,228	1,259,462	325,316	299,714	133,740	3,972,277	
Depreciation					71,168					71,168	
Total functional expenses	\$ 75,040	\$ 355,930	\$ 302,098	\$ 580,749	\$ 711,396	\$ 1,259,462	\$ 325,316	\$ 299,714	\$ 133,740	\$ 4,043,445	

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

	Supporting Departments			Total Expenses 2011
	Management and General	Fund Raising	Total	
Salaries and wages	\$ 187,132	\$ 52,753	\$ 239,885	\$ 2,559,205
Employee benefits	25,176	11,725	36,901	311,571
Payroll taxes and worker's compensation	18,818	4,448	23,266	221,426
Total salaries and related expenses	231,126	68,926	300,052	3,092,202
Purchased or contracted services	96,593	19,115	115,708	197,033
Supplies	16,517	1,689	18,206	322,338
Telephone	3,088		3,088	19,982
Postage	2,921		2,921	10,988
Occupancy				493,238
Expendable equipment costs	5,817		5,817	33,533
Printing and promotion	5,417		5,417	60,592
Travel and employee expenses	19,843		19,843	94,774
Membership and dues	55,239		55,239	58,480
Awards and grants				44,665
Bank charges	63,306		63,306	63,306
Miscellaneous	42,661		42,661	113,404
Total expenses before depreciation	542,528	89,730	632,258	4,604,535
Depreciation				71,168
Total functional expenses	\$ 542,528	\$ 89,730	\$ 632,258	\$ 4,675,703

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Operating Departments							Total		
	School's Out/ Day Camp	Camping	Mentor Duluth	Adult Physical	Building Services	Americorp	21st Century		Membership	Lake Superior Initiative
Salaries and wages	\$ 183,725	\$ 115,485	\$ 170,409	\$ 388,507	\$ 202,224	\$ 885,801	\$ 51,059	\$ 167,231	\$ 102,206	\$ 2,266,647
Employee benefits	7,791	9,960	35,996	40,125	25,750	88,129	7,989	26,210	14,633	256,583
Payroll taxes and worker's compensation	15,701	12,296	14,050	32,460	17,287	75,286	4,245	14,050	8,616	193,991
Total salaries and related expenses	207,217	137,741	220,455	461,092	245,261	1,049,216	63,293	207,491	125,455	2,717,221
Purchased or contracted services		1,640	16,135	1,500		970	2,830		269,711	292,786
Supplies	63,007	69,097	39,819	50,173	50,306	17,550	2,062	8,224	13,948	314,186
Telephone	650	3,490	180		10,541	791				15,652
Postage	716	823	1,660	577		771	30	1,410	202	6,189
Occupancy	44,424	73,827	35,112		254,111	46,390	6,520			460,384
Expendable equipment costs		9,164		1,524	10,620					21,308
Printing and promotion	1,722	7,365	5,076	4,525		843		6,392	381	26,304
Travel and employee expenses	121	7,283	10,094	1,662		42,428	62	764	1,308	63,722
Membership and dues	490	1,688	916	253				309		3,656
Awards and grants									302,546	302,546
Bank charges	5,300	139	283	3,773	1,464	13,750	149	29,498	986	55,342
Miscellaneous										
Total expenses before depreciation	323,647	312,257	329,730	525,079	572,303	1,172,709	74,946	254,088	714,537	4,279,296
Depreciation					53,967					53,967
Total functional expenses	\$ 323,647	\$ 312,257	\$ 329,730	\$ 525,079	\$ 626,270	\$ 1,172,709	\$ 74,946	\$ 254,088	\$ 714,537	\$ 4,333,263

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

	Supporting Departments			Total Expenses 2010
	Management and General	Fund Raising	Total	
Salaries and wages	\$ 114,962	\$ 43,846	\$ 158,808	\$ 2,425,455
Employee benefits	22,285	9,347	31,632	288,215
Payroll taxes and worker's compensation	34,453	3,730	38,183	232,174
Total salaries and related expenses	171,700	56,923	228,623	2,945,844
Purchased or contracted services	84,579	61,571	146,150	438,936
Supplies	9,305	242	9,547	323,733
Telephone	2,212		2,212	17,864
Postage	3,771		3,771	9,960
Occupancy				460,384
Expendable equipment costs	3,309		3,309	24,617
Printing and promotion	9,952		9,952	36,256
Travel and employee expenses	7,899		7,899	71,621
Membership and dues	49,852		49,852	53,508
Awards and grants				302,546
Bank charges	46,848		46,848	46,848
Miscellaneous	18,347		18,347	73,689
Total expenses before depreciation	407,774	118,736	526,510	4,805,806
Depreciation				53,967
Total functional expenses	\$ 407,774	\$ 118,736	\$ 526,510	\$ 4,859,773

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 1,638,732	\$ (560,912)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Allowance for uncollectible promises to give	(16,923)	(17,515)
Net present value discount on promises to give	(23,331)	(28,387)
Loss on disposal of assets	15,938	
Change in value of beneficial interest in assets held by others	(3,863,173)	901,172
Depreciation	71,168	53,967
Increase in market value of investments		(2,456)
(Increase) decrease in assets		
Accounts receivable	9,866	2,683
Grants receivable	68,946	70,581
Due from the Duluth Area Family YMCA Heritage Foundation, Inc.	1,696,610	(582,131)
Promises to give	650,751	473,123
Prepaid expense	(15,389)	20,962
Inventories	(1,602)	866
Increase (decrease) in liabilities		
Accounts payable	(141,275)	15,042
Accrued expenses	31,849	3,763
Custody funds	9,702	(156,814)
Deferred revenue	99,690	(12,114)
Net cash provided by operating activities	231,559	181,830
Cash flows from capital and related financing activities		
Purchase of equipment	(289,440)	(135,005)
Capital lease payments	(11,737)	(11,362)
Net cash used in capital and related financing activities	(301,177)	(146,367)
Cash flows used in financing activities		
Proceeds from short-term note	2,261,505	2,066,691
Repayment of short-term note	(2,399,660)	(2,059,247)
Proceeds from note payable	150,000	
Proceeds from sale of investments	12,754	
Net cash provided by financing activities	24,599	7,444
Increase (decrease) in cash and cash equivalents	(45,019)	42,907
Cash and cash equivalents, beginning of year	70,925	28,018
Cash and cash equivalents, end of year	\$ 25,906	\$ 70,925
Present in the statement of financial position:		
Cash - Unrestricted	\$ 24,442	\$ 69,462
Cash - Temporarily Restricted	1,464	1,463
Total	\$ 25,906	\$ 70,925
Supplemental disclosures		
Interest paid	\$ 10,004	\$ 22,242

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose and Organization** - The Duluth Area Family YMCA (YMCA) is a not-for-profit corporation formed for the purpose of empowering all people to develop healthy relationships with themselves, their God and their community. The YMCA emphasizes strong bodies, trained minds, wholesome social life, and religious living through class, club, counseling, and related activities planned and directed by member leaders and assisted by employed staff members. The YMCA is affiliated with the worldwide organization of YMCAs.

To help fulfill the Duluth Area Family YMCA's mission of making programs, membership, and camping accessible to all, the YMCA provided \$110,359 and \$134,907 in membership and program assistance and \$25,415 and \$16,848 in camperships in 2011 and 2010, respectively.

**Basis of Accounting** - The financial statements of the YMCA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation** - The YMCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Income is recognized when earned and expenses are recorded when incurred.

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, the YMCA considers all unrestricted and temporarily restricted, currently classified, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Investments** - Investments are recorded at fair market value. At December 31, 2011 and 2010, the YMCA held stock valued at \$0 and \$12,354, respectively.

**Accounts Receivable** - Accounts receivable consist of amounts due from others for various program services. All accounts are current and not accruing interest. Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are not expected to be collected. No valuation allowance is considered necessary.

**Inventories** - Inventories are stated at the lower of cost or market, cost is determined on the first-in, first-out method.

**Equipment** - All major expenditures for equipment are capitalized. The fair value of donated property is similarly capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. When property is retired or disposed of, the cost and related accumulated depreciation are removed from the accounts. The costs of maintenance and minor replacements are expensed as incurred.

**Deferred Revenue** - Income from membership dues and fees is deferred and recognized over the periods to which the dues and fees relate.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unrestricted Net Assets** - Used to account for resources currently available for use over which the Board of Directors has discretionary control in carrying on the operations and purpose of the YMCA.

**Temporarily Restricted Net Assets** - Used to account for resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and to account for the beneficial interest in assets held by the Duluth Area Family YMCA Heritage Foundation, Inc.

**Permanently Restricted Net Assets** - Used to account for resources required by donor to be maintained in perpetuity and to account for the beneficial interest in trusts held by others for the benefit of the YMCA.

**Collection of Sales Taxes** - The YMCA records taxes collected from customers and is remitted to governmental authorities on a net basis, which means they are excluded from both net sales and cost of sales.

**Contributions** - Contributions are recognized when the donor makes a promise to give to the YMCA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. At December 31, 2011 and 2010, long-term promises to give are recorded at their net present value, using a discount rate of 1.9 each year. Management estimates two percent of the promises to give and scheduled pledged payments that have not been received by the YMCA by year end to be uncollectible. At December 31, 2011 and 2010, promises to give are shown net of the discount of \$13,009 and \$36,340, respectively, and an allowance for uncollectible amounts of \$49,782 and \$66,705, respectively.

Promises to give are unconditional and are due at December 31 as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 304,661	\$ 513,133
Receivable in one to five years	<u>124,556</u>	<u>526,581</u>
Total	<u>\$ 429,217</u>	<u>\$ 1,039,714</u>

**Donated Services** - No amounts have been reflected in the statements for donated services received because there is no objective basis available to measure the value of such services; however, a substantial number of volunteers have donated their time in the YMCA's program services and fund raising.

**Advertising** - The YMCA advertises the Organization's mission and programs among the community it serves. The production costs of advertising are expensed as incurred. Advertising costs for 2011 and 2010 were \$17,452 and \$5,984, respectively.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Expenses** - Expenses incurred for a specific operating or supporting department are assigned directly to that operating or supporting department. Expenses that affect more than one specific department are allocated among the operating or supporting departments by YMCA personnel in a manner to reflect a fair breakdown of expense by function. No expenses have been allocated to public education, as these amounts are immaterial in relation to these financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications** - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**Income Taxes** - The YMCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar laws of the State of Minnesota. The YMCA's tax years prior to 2008 are no longer open for examination by the IRS.

**Subsequent Events** - In preparing these financial statements, the YMCA has evaluated events and transactions for potential recognition or disclosure through April 10, 2012, the date the financial statements were available to be issued.

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

*Level 1* - Inputs that utilize quoted market prices (unadjusted) in active markets for identical assets or liabilities that the YMCA has the ability to access.

*Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

*Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related to market activity.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following table summarizes the YMCA's financial instruments that have been accounted for at fair value at December 31:

	2011			Total
	Level 1	Level 2	Level 3	
Beneficial interest in trusts	\$ 2,853,858	\$	\$ 206,232	\$ 3,060,090
Beneficial Interest in assets held by the Duluth Area Family YMCA Heritage Foundation	7,353,946			7,353,946
<b>Total</b>	<b>\$ 10,207,804</b>	<b>\$</b>	<b>\$ 206,232</b>	<b>\$ 10,414,036</b>

	2010			Total
	Level 1	Level 2	Level 3	
Investments	\$ 12,354	\$	\$	\$ 12,354
Beneficial interest in trusts	3,117,014		219,223	3,336,237
Beneficial Interest in assets held by the Duluth Area Family YMCA Heritage Foundation	3,209,400			3,209,400
<b>Total</b>	<b>\$ 6,338,768</b>	<b>\$</b>	<b>\$ 219,223</b>	<b>\$ 6,557,991</b>

The following table presents changes in net assets measured at fair value using level 3 inputs on a recurring basis:

Balance at January 1, 2010	\$ 216,485
Change in investment classification of fair value hierarchy	(72,192)
Total gains or losses (realized or unrealized) for the year included in change in net assets	74,930
Balance at December 31, 2010	219,223
Total gains or losses (realized or unrealized) for the year included in change in net assets	(12,991)
Balance at December 31, 2011	<u>\$ 206,232</u>

Realized and unrealized gains and losses are included in the permanently restricted change in value of beneficial interest in assets held by others on the Statement of Activities.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 3 TRUSTS**

The YMCA is the beneficiary of three trusts. Trust assets are held by others. A description of the trusts follows:

**Beneficial Interest in Perpetual Trusts**

The YMCA is a part beneficiary along with four other Duluth charitable organizations of the Ribenack Trust. The YMCA receives income from the trust that is currently designated to support YMCA youth programs. The YMCA received \$60,227 and \$46,934 from the Ribenack Trust in 2011 and 2010, respectively. The YMCA will never receive the trust principal.

The YMCA is the beneficiary of the Ward Ames, Jr. Memorial Trust Fund. The YMCA receives income from the trust that is unrestricted as to its use. The YMCA has currently designated the unrestricted income to the Duluth Family YMCA Heritage Foundation, Inc. All amounts received during 2011 and 2010 were distributed to the Duluth Family YMCA Heritage Foundation, Inc. as of the years then ended. The YMCA will never receive the trust principal.

An interest in these trusts has been recorded as an asset, measured annually at the present value of the estimated future cash receipts.

**Beneficial Interest in Charitable Remainder Trust**

The YMCA is a part beneficiary along with eleven other Duluth charitable organizations of the Muriel Whiteside Charitable Trust. The YMCA receives income from this trust as determined by the Whiteside Committee. The Committee of the trust is empowered to change or delete the percentage of income distribution or a beneficiary, if deemed appropriate. If no such change is made, the trust income will be received annually until year 2041, at which time the trust principal will be distributed. Distributions of \$113,986 and \$164,472 were made in 2011 and 2010, respectively, directed to the YMCA Mentor Duluth Program and the YMCA Capital Campaign. No interest in this trust has been recorded as an asset, since future cash receipts are contingent upon decisions made by the committee of the trust.

**NOTE 4 DULUTH FAMILY YMCA HERITAGE FOUNDATION, INC. AND SUBSIDIARIES**

In 2005, the YMCA transferred cash and investments of its Heritage Fund to the Duluth Area Family YMCA Heritage Foundation, Inc. (Foundation). The purpose of the Foundation is to establish an endowment fund to solely benefit the YMCA. The Foundation is required to make distributions to the YMCA each year of up to 5 percent of the average of the fair market value of the assets of the fund as of the last day of the three immediately preceding fiscal years, excluding the value of any real estate and buildings owned by the Foundation which are utilized by the YMCA. Additional distributions may be made upon request of the YMCA to fund capital projects or operating expenses. Upon dissolution of the Foundation, the YMCA would receive the remaining assets.

In 2005, the YMCA transferred legal title to land and buildings located at 302 West First Street, Duluth, to Duluth YMCA Property, Inc. and transferred legal title to land and buildings located at Camp Miller, Sturgeon Lake, to Sturgeon Lake YMCA Property, Inc. The Duluth YMCA Property, Inc. and Sturgeon Lake YMCA Property, Inc. (collectively referred to as subsidiaries of the Foundation) exclusively benefit the Duluth Area Family YMCA Heritage Foundation, Inc. and the YMCA.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 4 DULUTH FAMILY YMCA HERITAGE FOUNDATION, INC. AND SUBSIDIARIES (Continued)**

The YMCA is responsible for maintenance, repairs and insurance. The Foundation donated rents valued at \$154,213 and \$103,937 to the YMCA for the years ending December 31, 2011 and 2010, respectively. The rent expense is included in the category of occupancy on the statement of functional expenses.

The YMCA is the beneficiary of the Duluth Family YMCA Heritage Foundation, Inc (Foundation) and its subsidiaries. The Board of the Foundation consists of eleven voting trustees, including four ex-officio voting trustees. The YMCA Board Chairperson, Secretary, Treasurer and immediate past Chairperson are the ex-officio members. No more than 49 percent of the voting Foundation trustees, including the ex-officio trustees can also be on the Board of Directors of the YMCA.

The YMCA received \$575,362 and \$407,648, from the Foundation in 2011 and 2010, respectively.

During 2011, the YMCA transferred \$2,144,500 of capital campaign funds to the YMCA Heritage Foundation.

On November 1, 2011, the YMCA entered into a loan agreement for \$150,000 with the YMCA Heritage Foundation. Interest, at a rate of 5 percent, is payable in quarterly installments beginning January 31, 2012. Quarterly principle and interest payments of \$19,820 commence on January 31, 2012 and continuing quarterly thereafter until October 31, 2014, when any outstanding principal balance is due in full.

**NOTE 5 EQUIPMENT**

Equipment is recorded at cost if documentation exists to determine cost.

The following is a listing of land, building, and equipment, and accumulated depreciation by major categories at December 31:

	Estimated Useful Lives	2011			2010
		Cost	Accumulated Depreciation	Net	Net
Duluth					
Equipment and furniture	5-25 years	\$ 574,974	\$ 193,380	\$ 381,594	\$ 171,726
Leased equipment	6 years				9,060
Camp Miller					
Vehicles	5-7 years	46,858	40,134	6,724	6,603
Equipment and furniture	5-10 years	113,526	113,340	186	4,315
*Equipment	30 years	137,870	137,870		92
Total		<u>\$ 873,228</u>	<u>\$ 484,724</u>	<u>\$ 388,504</u>	<u>\$ 191,796</u>

\* There are a number items relating to Camp Miller for which no such cost documentation is available. These items were recorded at insurable values of \$137,870 in 1975.

Depreciation expense was \$71,168 and \$53,967 for years ended December 31, 2011 and 2010, respectively.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 6      SHORT-TERM NOTE**

At December 31, 2011, the YMCA had a \$400,000 unsecured revolving line of credit maturing December 1, 2012. The balance outstanding at December 31, 2011 and 2010 was \$145,575 and \$283,730, respectively. The variable interest rate at December 31, 2011 and 2010 was 5.00 percent, respectively. Interest expense was \$8,185 for 2011 and \$10,194 for 2010.

**NOTE 7      DEBT**

The YMCA financed equipment by the means of a capital lease. The equipment has been recorded at a cost of \$35,033 and related accumulated amortization of \$15,765. Amortization expense is included in depreciation expense.

Future minimum lease payments are scheduled as follows at December 31, 2011:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2012	\$      9,179
Less amount representing interest	<u>          123</u>
Present value of minimum lease payments	<u><u>          \$ 9,056</u></u>

**NOTE 8      RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Beneficial interest in the Duluth Area Family YMCA Heritage Foundation, Inc.	\$ 7,353,946	\$ 3,209,400
Capital campaign	<u>427,978</u>	<u>2,758,459</u>
Total	<u><u>\$ 7,781,924</u></u>	<u><u>\$ 5,967,859</u></u>

Permanently restricted net assets consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Assets held by others to benefit the YMCA		
Ribenack Trust	\$ 1,389,888	\$ 1,505,673
Ward Ames, Jr. Memorial Trust Fund	<u>1,670,202</u>	<u>1,830,564</u>
Total trusts held by others	<u><u>\$ 3,060,090</u></u>	<u><u>\$ 3,336,237</u></u>

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 9**      **DEFINED CONTRIBUTION PLAN**

The YMCA has a joint contributory defined contribution plan administered through their national organization covering certain personnel. Pension contribution expense was \$99,513 for 2011 and \$90,417 for 2010.

**NOTE 10**     **COMMITMENTS**

On January 31, 2011, the YMCA entered into a security agreement with US Bank to grant a security interest in all assets and future revenues of the YMCA as security for a \$2,500,000 loan agreement between US Bank and the Duluth Area Family YMCA Heritage Foundation, Inc. The loan proceeds were used for the renovation of the main Y facility. At December 31, 2011, the outstanding balance of the loan was \$2,422,421.

**NOTE 11**     **CONTINGENCIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the YMCA expects such amounts, if any, to be immaterial.

**REPORTS REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***  
**AND THE OFFICE OF MANAGEMENT AND BUDGET**  
**CIRCULAR A-133**

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through the City of Duluth			
Community Development Block Grant	14.218	21161	\$ 6,305
Community Development Block Grant	14.218	21378	<u>16,020</u>
Total CFDA # 14.218			<u>22,325</u>
U.S. Department of Health and Human Services			
Direct			
Compassion Capital Fund Demonstration Program	93.009		111,088
Compassion Capital Fund Communities Empowering Youth Program	93.009		<u>21,367</u>
Total CFDA # 93.009			<u>132,455</u>
Passed through YMCA of the USA			
Pioneering Healthy Communities	93.283	None provided	<u>27,152</u>
Passed through Northland Foundation			
ARRA - Strengthening Communities Initiative	93.711	None provided	<u>19,819</u>
Corporation for National and Community Service			
Passed through Serve Minnesota			
Americorps	94.006	09ACHMN0010002-11	280,275
Americorps	94.006	09ACHMN0010002-10	572,776
Americorps Inclusion Funds	94.006	SA PY 10-11 #3	9,612
Passed through Minnesota Education Corps			
Minnesota Reading Corps	94.006	None provided	41,685
Minnesota Reading Corps	94.006	None provided	<u>26,490</u>
Total CFDA # 94.006			<u>930,838</u>
Total Federal awards expended			<u>\$ 1,132,589</u>

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Duluth Area Family YMCA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the financial statements.

Dean R. Ager, CPA  
Michael S. Altman, CPA  
Deborah J. Medlin, CPA  
Darla R. Benoit, CPA  
Ronald E. Peterson, CPA/ABV  
Thomas J. Eling, CPA  
Thomas L. Sykes, CPA of Counsel

Independent Auditor's Report on  
Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards*

April 10, 2012

Board of Directors  
Duluth Area Family YMCA  
Duluth, Minnesota

We have audited the financial statements of the Duluth Area Family YMCA as of and for the year ended December 31, 2011, and have issued our report thereon dated April 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Duluth Area Family YMCA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Duluth Area Family YMCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Duluth Area Family YMCA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and other Matters**

As part of obtaining reasonable assurance about whether the Duluth Area Family YMCA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Duluth Area Family YMCA in a separate letter dated April 10, 2012.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Eikel & Schilling Ltd.*

Dean R. Ager, CPA  
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Thomas J. Eling, CPA  
Thomas L. Sykes, CPA of Counsel

Independent Auditor's Report on Compliance with  
Requirements That Could Have a Direct and Material Effect  
on each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133

April 10, 2012

Board of Directors  
Duluth Area Family YMCA  
Duluth, Minnesota

### Compliance

We have audited the Duluth Area Family YMCA's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Duluth Area Family YMCA's major federal program for the year ended December 31, 2011. The Duluth Area Family YMCA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Duluth Area Family YMCA's management. Our responsibility is to express an opinion on the Duluth Area Family YMCA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Duluth Area Family YMCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Duluth Area Family YMCA's compliance with those requirements.

In our opinion, the Duluth Area Family YMCA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

### Internal Control over Compliance

The management of the Duluth Area Family YMCA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Duluth Area Family YMCA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Duluth Area Family YMCA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Eileen A. Schilling Ltd.*

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

**Unqualified**

Internal control over financial reporting:

Material weakness identified	_____	Yes	<u>  X  </u>	No
Significant deficiency identified	_____	Yes	<u>  X  </u>	None reported
Noncompliance material to the financial statements	_____	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:

Material weakness identified	_____	Yes	<u>  X  </u>	No
Significant deficiency identified	_____	Yes	<u>  X  </u>	None reported

Type of auditor's report issued on compliance for major programs:

**Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(1)?

_____	Yes	<u>  X  </u>	No
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Major federal programs:

CFDA Number	Name of Federal Program or Cluster
94.006	Americorps
94.006	Americorps Inclusion Funds
94.006	Minnesota Reading Corps

Dollar threshold used to distinguish between Type A and Type B Programs

\$300,000

Auditee qualified as a low-risk auditee?

_____	Yes	<u>  X  </u>	No
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DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)

**Section II - Financial Statement Findings**

None.

**Section III - Major Federal Program Findings**

None.

DULUTH AREA FAMILY YMCA  
DULUTH, MINNESOTA

SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011

None.

**DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA**

**ANNUAL FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2011 AND 2010  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

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Thomas L. Sykes, CPA of Counsel

## Independent Auditor's Report

May 9, 2012

Board of Trustees  
Duluth Area Family YMCA  
Heritage Foundation, Inc. and Subsidiaries  
Duluth, Minnesota

We have audited the accompanying consolidated statements of financial position of the Duluth Area Family YMCA Heritage Foundation, Inc. and Subsidiaries (a Minnesota corporation organized not-for-profit) as of December 31, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Duluth Area Family YMCA Heritage Foundation Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Duluth Area Family YMCA Heritage Foundation, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Eikill & Schilling Ltd.*

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31,

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 968,578	\$ 1,299,347
Investments	2,382,381	2,113,261
Accrued interest and dividends	9,726	5,733
Contributions receivable	6,892	5,979
Total current assets	<u>3,367,577</u>	<u>3,424,320</u>
Land and buildings, held to benefit the Duluth Area Family YMCA, net of accumulated depreciation	<u>6,260,664</u>	<u>6,948,354</u>
Other assets		
Cash surrender value life insurance	102,263	102,263
Note receivable - Duluth Area Family YMCA	150,000	
Total other assets	<u>252,263</u>	<u>102,263</u>
Total assets	<u>\$ 9,880,504</u>	<u>\$ 10,474,937</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current		
Contracts payable	\$ 2,854	\$ 497,688
Interest payable		9,020
Due to the Duluth Area Family YMCA	14,145	142,136
Pledge payable - Duluth Area Family YMCA	87,138	499,805
Amounts held for others (Note 7)		1,596,251
Loan payable, current portion	194,499	77,579
Total current liabilities	<u>298,636</u>	<u>2,822,479</u>
Long-term debt, net of current portion	<u>2,227,922</u>	<u>2,422,421</u>
Net assets		
Temporarily restricted		
Land and buildings	3,838,243	4,448,354
Endowment	3,515,703	781,683
Total net assets	<u>7,353,946</u>	<u>5,230,037</u>
Total liabilities and net assets	<u>\$ 9,880,504</u>	<u>\$ 10,474,937</u>

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Public support			
Contributions			
YMCA	\$	\$ 2,144,500	\$ 2,144,500
Other		97,726	97,726
Total contributions		2,242,226	2,242,226
Revenue			
Interest and dividends		53,638	53,638
Sale of conservation easment and other		1,000,156	1,000,156
Realized and unrealized loss on investments		(169,057)	(169,057)
Loss on disposition of capital assets		(557,541)	(557,541)
Total revenue		327,196	327,196
Total public support and revenue		2,569,422	2,569,422
Release from restrictions	445,513	(445,513)	
Expenses			
Program	351,958		93,555
Supporting			
Management and general	93,555		351,958
Total expenses	445,513		445,513
Change in net assets		2,123,909	2,123,909
Net assets, beginning of year		5,230,037	5,230,037
Net assets, end of year	\$	\$ 7,353,946	\$ 7,353,946

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Public support			
Contributions	\$	\$ 88,819	\$ 88,819
Revenue			
Interest and dividends		86,478	86,478
Other		244	244
Realized and unrealized gain on investments		217,741	217,741
Total revenue		304,463	304,463
Total public support and revenue		393,282	393,282
Release from restrictions	414,176	(414,176)	
Expenses			
Program	320,948		320,948
Supporting			
Management and general	93,228		93,228
Total expenses	414,176		414,176
Change in net assets		(20,894)	(20,894)
Net assets, beginning of year		5,250,931	5,250,931
Net assets, end of year	\$	\$ 5,230,037	\$ 5,230,037

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31,

	2011		
	Program	Supporting Management General	Total
Depreciation	\$ 150,581	\$	\$ 150,581
Distribution to the YMCA	69,745		69,745
Interest expense	131,632		131,632
Bank fees		8,425	8,425
Consulting services		72,582	72,582
Accounting fees		5,000	5,000
Legal fees		7,548	7,548
<b>Total functional expenses</b>	<b>\$ 351,958</b>	<b>\$ 93,555</b>	<b>\$ 445,513</b>

	2010		
	Program	Supporting Management General	Total
Depreciation	\$ 107,949	\$	\$ 107,949
Distribution to the YMCA	157,268		157,268
Interest expense	55,731		55,731
Bank fees		9,514	9,514
Consulting services		56,923	56,923
Accounting fees		5,000	5,000
Legal fees		21,549	21,549
Office supplies		242	242
<b>Total functional expenses</b>	<b>\$ 320,948</b>	<b>\$ 93,228</b>	<b>\$ 414,176</b>

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 2,123,909	\$ (20,894)
Adjustments to reconcile change in net assets to net cash provided by operating activities	150,581	107,949
Depreciation	164,048	(160,059)
Unrealized (gain) loss on investments	557,541	
Loss on disposition of capital assets		
Change in assets and liabilities		
Notes receivable	(150,000)	
Amounts held for others	(1,596,251)	561,211
Accrued interest and dividends	(3,993)	3,213
Contributions receivable	(913)	
Contracts payable	(494,834)	304,292
Interest payable	(9,020)	9,020
Distribution payable	(127,991)	20,919
Pledge payable	(412,667)	(166,667)
Net cash provided by operating activities	<u>200,410</u>	<u>658,984</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of debt		2,500,000
Principal payments	(77,579)	
Building improvements	(20,432)	(3,598,824)
Net cash used in capital and related financing activities	<u>(98,011)</u>	<u>(1,098,824)</u>
Cash flows from investing activities		
Purchase of investments	(1,864,632)	(257,843)
Sale of investments	1,431,464	1,511,926
Net cash provided by (used in) investing activities	<u>(433,168)</u>	<u>1,254,083</u>
Net increase (decrease) in cash and cash equivalents	(330,769)	814,243
Cash and cash equivalents, beginning of year	<u>1,299,347</u>	<u>485,104</u>
Cash and cash equivalents, end of year	<u>\$ 968,578</u>	<u>\$ 1,299,347</u>
Supplemental disclosures		
Interest paid	\$ 55,731	\$ 46,711

The accompanying notes are an integral part of these financial statements.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Purpose and Organization** - The purpose of the Duluth Area Family YMCA Heritage Foundation, Inc. (Foundation), is to provide an endowment fund that will support the Duluth Area Family YMCA (YMCA). In 2005, the YMCA transferred cash and investments of its Heritage Fund to the Foundation in the amount of \$3,475,433. Also, in 2005, the YMCA transferred land and buildings located in Duluth and Sturgeon Lake (Camp Miller) to the Foundation's subsidiaries; the Duluth YMCA Property, Inc. and Sturgeon Lake YMCA Property, Inc., at the YMCA's book value of \$3,004,737. The YMCA continues to use the land and buildings in the operation of the YMCA. Upon dissolution of the Foundation, the YMCA would receive all of the remaining assets.

The Board of Trustees of the Foundation consists of eleven voting trustees, including four ex-officio voting trustees. The YMCA Board Chairperson, Secretary, Treasurer and Immediate Past Chairperson are the ex-officio members. No more than 49 percent of the voting trustees, including the ex-officio trustees can also be on the Board of Trustees of the YMCA.

The Foundation and its subsidiaries are organized under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the Minnesota Income Tax Act and are thus exempt from federal and state income taxes. The Organization's tax years prior to 2008 are no longer open for examination by the IRS.

**Basis of Accounting** - The consolidated financial statements of the Foundation and its subsidiaries have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation** - Financial statements are presented in accordance with the Financial Accounting Standards Board's Accounting Standard Codification, *Not-for-Profit Entities, Presentation of Financial Statements*. This standard requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restrict net assets. The Foundation does not have any permanently restricted net assets.

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, the Foundation considers unrestricted and temporarily restricted demand deposits and investments with an initial maturity of three months or less to be cash equivalents.

**Investments** - Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. The Foundation does not have any securities that are valued using Level 2 or 3 inputs.

**Land and Building** - All major expenditures for land and buildings are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions** - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions receivable are expected to be received shortly after year end. No allowance for uncollectable amounts is considered necessary at December 31, 2011 and 2010.

**Functional Expenses** - Expenses incurred for a specific program or supporting department are assigned directly to that program or supporting department. Expenses that affect more than one specific department are allocated among the program or supporting departments by Foundation personnel in a manner to reflect a fair breakdown of expense by function.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassifications** - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**Subsequent Events** - In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 9, 2012, the date the financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

Investments at December 31 consisted of the following:

<u>Investment Type</u>	<u>2011</u>	<u>2010</u>
Stocks	\$ 1,064,257	\$ 1,794,151
Bonds	<u>1,318,124</u>	<u>319,110</u>
Total	<u>\$ 2,382,381</u>	<u>\$ 2,113,261</u>

All the Foundations investments are valued using Level 1 inputs.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 3 LAND AND BUILDING**

In 2005 the YMCA transferred land and buildings located in Duluth and Sturgeon Lake (Camp Miller) to the Foundation's subsidiaries; the Duluth YMCA Property, Inc. and Sturgeon Lake Property, Inc. The assets were transferred at the YMCA's book value.

At the time of the transfer, the land and buildings were recorded at cost, if documentation existed to determine cost. There are a number of real and personal property items relating to Camp Miller for which no such cost documentation was available. These items were recorded at insurable values of \$137,870 in 1975. The original Camp Miller was acquired in 1911 and recorded at a value of \$1. No adjustment has been made to this valuation because of the absence of cost documentation or historical appraisal. Additions since the time of transfer have been recorded at cost. The Foundation continued to use the estimated useful lives for depreciation that were being used at the time of the transfer.

The following is a listing of land and buildings, and accumulated depreciation at December 31:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	
				2011	2010
Construction in progress		\$ 7,820	\$	\$ 7,820	\$ 4,488,342
Duluth building	30-60 years	5,054,993	32,891	5,022,102	1,271,837
Camp Miller buildings	15-50 years	<u>1,644,526</u>	<u>413,784</u>	<u>1,230,742</u>	<u>1,188,175</u>
Total		<u>\$ 6,707,339</u>	<u>\$ 446,675</u>	<u>\$ 6,260,664</u>	<u>\$ 6,948,354</u>

Depreciation expense was \$150,581 and \$107,949 for the years ended December 31, 2011 and 2010, respectively.

**NOTE 4 DEBT**

On December 29, 2009, the Foundation entered into a construction loan agreement to finance the renovation and improvements at the YMCA main facility in the amount of \$2,500,000. Interest only payments were due each month on the outstanding balance at a rate greater of (1) 4.25 percent per annum, or (2) a rate equal to 2.5 percent plus the one month LIBOR rate. The total amount of the loan had been drawn as of December 31, 2010. A new loan commenced on January 31, 2011. As of December 31, 2011, the principal balance of the new loan was \$2,422,421. The new loan calls for interest only payments beginning February 28, 2011 through July 31, 2011 at 5.7 per cent per annum. Beginning August 28, 2011, monthly principal and interest installments of \$28,479 are due until the final payment of unpaid principal and interest is due on January 31, 2016. All of the assets of the Foundation and its subsidiaries and the YMCA are pledged as security for the loan. During the years ended December 31, 2011 and 2010, interest expense was \$69,745 and \$55,731, respectively.

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 4 DEBT (Continued)**

The following is a schedule of future debt service payments for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 194,499	\$ 135,245	\$ 329,744
2013	206,442	123,302	329,744
2014	218,694	111,051	329,745
2015	231,672	98,072	329,744
2016	1,571,114	7,712	1,578,826
Total	<u>\$ 2,422,421</u>	<u>\$ 475,382</u>	<u>\$ 2,897,803</u>

**NOTE 5 ENDOWMENT FUNDS**

The State of Minnesota adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) addresses the preservation of the fair value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation had no donor-restricted endowment funds as of December 31, 2011 or 2010, therefore the Board of Trustees has interpreted that the Foundation does not have any assets that meet the definition of endowment under UPMIFA.

Temporarily restricted endowment funds as of December 31, 2011 and 2010 were \$3,515,703 and \$781,683, respectively. Changes in endowment net assets for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	\$ 781,683	\$ 1,793,451
Investment income	53,638	86,478
Net (depreciation) appreciation in investments	<u>(169,057)</u>	<u>217,741</u>
Total investment return	(115,419)	304,219
Contributions	2,242,226	88,819
Other changes	1,000,156	244
Appropriation of endowment funds for expenditure	<u>(392,943)</u>	<u>(1,405,050)</u>
Endowment net assets, end of year	<u>\$ 3,515,703</u>	<u>\$ 781,683</u>

DULUTH AREA FAMILY YMCA HERITAGE FOUNDATION, INC.  
AND SUBSIDIARIES  
DULUTH, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**NOTE 5**      **ENDOWMENT FUNDS (Continued)**

Each year, up to 5 percent of the average of the fair market value of the assets of the fund as of the last day of the three immediately preceding fiscal years, excluding the value any real estate and buildings owned by the Foundation which are utilized by the YMCA, shall be distributed to the YMCA. Additional distributions may be made upon request of the YMCA to fund capital projects or operating expenses.

The goal of the endowment fund is to preserve and maintain the real purchasing power without putting the principal value at imprudent risk. The portfolio will be comprised of 35 - 60 percent equity, 40 - 65 percent fixed income and an amount equal to three months of working capital kept in money market funds. No more than 10 percent of the aggregate funds shall be invested in the bonds or stock of a single issuer. Portfolio management performance is evaluated quarterly, with the "total return-time weighted" as the normal measurement.

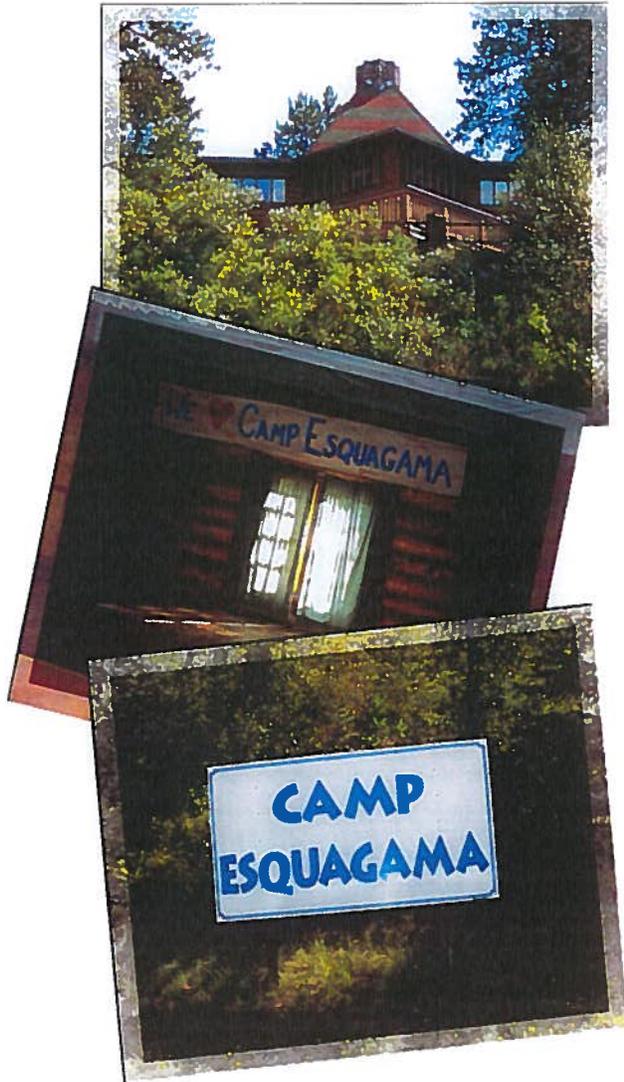
**NOTE 6**      **RELATED PARTY TRANSACTIONS**

For the years ended December 31, 2011 and 2010, the Foundation distributed \$69,745 and \$157,267, respectively, to the YMCA for major capital improvements, major maintenance, and other specific program needs of the YMCA. The Foundation also paid the YMCA \$85,130 and \$83,714, respectively, for fundraising and administrative costs. At December 31, 2011 and 2010, the Foundation owed the YMCA \$14,145 and \$142,136, respectively.

On November 1, 2011, the Foundation loaned \$150,000 to the YMCA. Interest, at a rate of five percent, is payable in quarterly installments beginning January 31, 2012. Quarterly principle and interest payments of \$19,820 commence on January 31, 2013 and continue quarterly thereafter until October 31, 2014, when any remaining balance is to be paid in full.

**NOTE 7**      **COMMITMENTS**

The YMCA is conducting a capital campaign to raise funds to remodel the main Y facility located at 302 West First Street, Duluth, which is owned by the Foundation. The goal is to raise \$4 million for the project. In 2007, the Trustees made a \$1,000,000 pledge to the YMCA's capital campaign. Payments will be made over a six-year period. The Foundation made payments on the pledge in the amount of \$912,862, leaving a pledge balance of \$87,138 at December 31, 2011. A pledge payment of \$87,138 is scheduled for 2012.



**Proposal for the  
Management,  
Operation, and Lease of  
St. Louis County's**

**Camp Esquagama**

Offering a future that serves  
all residents of St. Louis County

**October 19, 2012**

**Submitted by:  
The Arrowhead Center  
Virginia, MN**



# *Arrowhead Center, Inc.*

## *Alcohol & Drug Treatment Services*

505 12th Ave. W., Ste. 1 • Virginia, MN 55792  
(218) 749-2877 • Fax: (218) 749-6033

### COVER LETTER

This proposal presents a vision that unlocks the potential of the Camp Esquagama property. A plan is offered where the Arrowhead Center would lease the property from St. Louis County. Under its governance, Arrowhead promises to preserve the tradition of Camp Esquagama, while transforming the property into a year round, multi-use space serving all residents of St. Louis County.

Through this strategic vision, Camp Esquagama will be improved and expanded to accommodate a wider variety of users. The expansion will benefit veterans, those with special needs, Native Americans, the business community, and area agencies through various partnerships. Providing a vibrant, multi-use area will be appealing to families and business that are current county residents and those considering moving to the area.

This transformation will be directed by the Arrowhead Center, an established area leader. The Arrowhead Center will oversee the improvements and management of the camp property, using its credibility, expertise, and area relationships to achieve the vision.

In summary, this proposal outlines a transition plan for the property that will:

- 1) Continue the tradition of providing an exceptional youth summer camp experience;
- 2) Reduce the administrative and financial burdens to the County associated with the Camp;  
and
- 3) Extend the benefits of the property to a wider variety of St. Louis County residents.

Relying on its expertise and support network, the Arrowhead Center is confident it can achieve this vision and respectfully requests that you approve this proposal.

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## RFP REQUIREMENTS

### PROVIDER PROFILE

See Appendix 1

### EVIDENCE OF FINANCIAL VIABILITY

See Appendix 2

### EXECUTIVE SUMMARY

See Appendix 3

### STATEMENT OF SITE VISIT

Representatives of the Arrowhead Center have extensively visited the Camp Esquagama property during the 2011 and 2012 camp seasons. A total of 100+ visits were made in total. Additionally, experts looking at the feasibility of the property on behalf of the Arrowhead Center have made multiple site visits during the spring, summer, and fall of 2012.

## THE VISION

Since 1934, Camp Esquagama has been providing summer camp memories for thousands of children. Over the years, the property has grown from a single lodge into a mature compound with multiple structures, buildings, and amenities.

The County now finds itself at a crossroads in determining the best future for the property, one that will achieve its full potential. Considering the potential opportunities and the strong foundation from over forty years of good stewardship, the County feels that now is the time to transition the property. The search is on to find a new direction that will utilize the full potential of the property in a manner that continues to serve the residents of St. Louis County.

The County seeks a transition plan that would:

- A. Continue to provide a youth summer camping experience;
- B. Eliminate or reduce financial outlays for capital improvements and operational assistance; and
- C. Maximize the use of the property to serve as many area residents as possible.

The Arrowhead Center's proposed strategic plan accomplishes these objectives.

## **THE ARROWHEAD CENTER VISION**

The Arrowhead Center will transform Camp Esquagama from a traditional summer camp to a multi-purpose property that accommodates year round activities. This transition offers a path that relieves the County of the administrative and financial responsibility for the property and allows broader use that will serve all the residents of St. Louis County.

### **Management**

While the Arrowhead Center will provide direct oversight of the property, on-site property management and strategic planning will come from the management team that has performed this role for the past two years. Should the Arrowhead Center be successful in its quest to lease the property, it will form a separate nonprofit that will eventually directly manage the Camp.

### **Operation**

Summer camp will continue, although programming will be modified. In addition to traditional summer camp, the property will gradually incorporate a variety of niche programs.

Additionally, the physical property is big enough to be broken down into multiple areas. There is room to develop a second area, completely separate from the main Camp. The Arrowhead Center will use space to fill a well identified need - offering in-house drug and alcohol treatment for at-risk juveniles, women, and adults. There is typically a waiting list for these services and this is an ideal opportunity to provide a solution. Ancillary services that compliment an in-house treatment program will also be offered, including sober school and leadership training.

### **Strategy**

The strategic vision is simple - broaden the appeal and usability of the Camp facilities to create a financial model of self sufficiency. Adding a separate treatment component offers a second revenue stream that is ideally suited for this environment. Having two sound yet diverse business models significantly increases the ability of the property to achieve financial independence. The expanded use offers more benefit to regional residents and to everyone in the County by eliminating the financial responsibility of subsidizing the camp.

## **WHY THE VISION MAKES SENSE**

Simply put, Camp revenue has not kept up with the increasing costs of ownership. Accordingly, the County has been subsidizing Camp for more than a decade with operational funds and capital improvements.

The Arrowhead's proposal offers a way to overcome the obstacles holding Camp Esquagama back. Camping trends are changing. Seasonal programs must now compete with year round camps. Camp activities compete against community activities. With more people telecommuting, it's easier to supervise children at home so the camp experience must offer a range of appealing activities. Also, rising financial costs to send children to summer camp present a challenge.

Another challenge to traditional summer camp enrollment has been competition from camps that focus on niche skills topics such as language, computer skills, etc. Many of these camps advertise themselves as a way to give children an edge when it comes to gaining skills that can supplement a child's education. Sports camps are also exploding as athletes at all levels view specialty camps as a way to extend training seasons and prepare for the upcoming school year.

Concurrently, costs for insurance, food, and staffing have been rising. The dynamic of rising financial costs and lower enrollment have been a drain on many traditional summer camp programs. Camp Esquagama was experiencing similar challenges.

The proposed solution is additional programming, extended over 12 months, combined with a separate but viable revenue stream to create the financial sustainability the County desires. Allowing experts at running camps to have a free hand at creating programs that takes advantage of current camping trends - with facilities that are modern and up to code - makes the most sense for the County to accomplish its goals.

#### Leveraging the Existing Transition Plan

A de facto transition started in 2010 when the Promotional Bureau brought in outside management to run the Camp. Bringing in experts to manage and operate the Camp was a good first step by the County. The expertise of the outside management team at running a summer camp brought positive changes that reversed the downward enrollment trend. Better marketing along with improved staffing, stronger programming, and updates to the facilities helped boost enrollment.

The Arrowhead Center's plan will add a wider spectrum of activities that cater to the growth trends, e.g., more specialized programming, recreational activities for youth, adults, families, and businesses. A keystone of this proposal is preserving the tradition of summer camp. The end result is that the additional services will create financial self sufficiency and greater use that serves all residents of St. Louis County.

### **COMPREHENSIVE PROPOSAL**

The Arrowhead Center is the primary stake holder in this venture and will be the sole lessee of the property. The Arrowhead Center will lead the transition and directly manage both Camp operations and treatment services.

While the Connaughton Group, on behalf of the Arrowhead Center, will initially manage the Camp, in a two year timeframe it will be replaced by a separate nonprofit that the Arrowhead Center will form. This nonprofit will be dedicated to running the Camp operation and staffed by professionals skilled at running the traditional and expanded programming that will be offered.

Creating a separate nonprofit, under the guidance of the Arrowhead Center, focused on the Camp and then having Arrowhead run the treatment programs will ensure that each of the business models operated through the property are run by experts at what they do.

### ARROWHEAD CENTER BACKGROUND AND RELEVANT EXPERIENCE

The Arrowhead Center has been operating in the area for forty plus years. During its long history, the Arrowhead Center has helped over 12,000 people receive treatment for substance abuse. Well known for its cooperation with the community, the Arrowhead Center offers services that include:

- Out-patient treatment for alcohol and substance dependency (juveniles and adults)
- Superior babies - helping addicted moms make sure kids are born addiction free
- Providing adolescent treatment for Arrowhead Juvenile Corrections
- Offering drug screening for St. Louis County Social services and Drug Court
- Performing assessments for Drug Court
- Etc.

### Roy Connaughton Background

Under the guidance of Roy Connaughton, the Executive Director, the Arrowhead Center has increased revenues from \$487,000 to \$1.1 million in a period over 4 1/2 years. His extensive history working with Camps includes serving as:

- Chief Operating Officer for Camp Heartland for (9 years)
- Director of Operations for the Hole in the Wall Association (2.5 years)
- Director of Operations for the Easter Seals Society of New Hampshire (4 years)
  - Note that, working with the Boy Scouts of America, Roy created the first fully integrated camp in the US for disabled kids ... pioneering the concept of camp within a camp.

### The Connaughton Group

Relying on a trained staff, the Connaughton Group has operated Camp Esquagama for the last two years as an independent contracting agency. Under its guidance, enrollment is up, there is greater community awareness, and satisfaction ratings have increased.

The Connaughton Group is a collection of individuals with expertise on camping operations, administration, and planning. A summary of the Connaughton Group's expertise includes:

- Experience running traditional and specialty camps (e.g., special needs, leadership programs, etc.)
- Direct experience with the Camp Esquagama property
- Access to business experts familiar with the proposed business model
- Deep community partnerships
- Hands-on experience creating programming for skills such as languages, hockey, music, etc.

The Connaughton Group has guided the Promotional Bureau on an interim basis during the last two years. This unique perspective gives the Connaughton Group an advantage over others that might wish to assume responsibility for the Camp through the RFP process.

## MANAGEMENT PLAN

In 2011, St. Louis County successfully transitioned management of Camp Esquagama to an outside management team. Given the success of that initiative and, to keep the Camp operating smoothly until a final decision was made about the future, the County extended the management contract through the 2012 camping season.

Recognizing the importance of maintaining the Camp, the first step by the Arrowhead Center will be to continue the current management group's contract through 2013.

Keeping the current management group in place makes sense for two reasons. The first is that it provides continuity and ensures there will be no hiccups for the upcoming camp season. A second reason it makes sense to keep the current Camp management team in place is because the Executive Director of the Connaughton Group, the outside management team, is also the Executive Director of the Arrowhead Center.

The Connaughton Group has operated Camp Esquagama for the last two years on an independent contractor basis. While the Connaughton Group has maintained independence from the Arrowhead Center, it realized that the retirement of the long-time husband/wife management team after the 2010 camp season would mean an eventual transition. Having "boots on the ground" was the perfect chance to thoroughly evaluate the property. This unique perspective offers an advantage in terms of community partnerships and knowledge of how to best use the Camp land and structures.

Aside from running the Camp, the Connaughton Group has evaluated the feasibility of how to best use the property. Under the Connaughton Group's direction, experts were brought in to inspect the Camp structures and land. Strategic planning initiatives have considered a wide range of potential activities and business models, running ROI scenarios to calculate the strength of different options. In the opinion of these experts, the plan in this document offers the best possible transition in terms of expanding reach and reducing the County's financial exposure.

### Creating a Full-Time Management Group

Apart from securing the upcoming camp season, the Arrowhead Center will begin two additional initiatives. One is forming a separate 501(c) (3) nonprofit that will eventually oversee the Camp operations. The Connaughton Group will work with the Arrowhead Center to transfer its expertise to this nonprofit. The end result is that the direct management and operation of the Camp itself will be handled by experts in running traditional and specialty camps.

A second initiative will be developing a separate area that contains treatment facilities. This will be a standalone area with private access from Camp Esquagama. This space will have a wide range of uses centered around extending the direct mission of the Arrowhead Center.

The primary focus of both initiatives is to build financially self-sustaining business models. Although each of the business models has strong potential for success, the likelihood of success is increased by having two diverse revenue streams from a single property.

Management Responsibility, in broad terms, will include having the management team:

- Supervise the delivery of programs and activities to campers
- Provide on-going monitoring of property and facilities
- Plan for and conduct physical repairs and maintenance
- Evaluate needs and contract with outside contractors for facility maintenance, operational and emergency needs
- Conduct beginning, current, and end of season inventories
- Manage development and maintenance needs to ensure stewardship of current resources
- Identify future maintenance needs, to include conducting an annual assessment
- Maintain the database for campers, families, alumni, and donors
- Work collaboratively with internal and external groups to ensure the enhancement of the camp operations
- Oversee contractual rental group agreements and safe usage of all facilities
- Ensure efficient Camp enrollment to include:
  - Register and coordinate with incoming campers
  - Process incoming campers
  - Monitor camper activities
  - Communicate with parents as needed
  - Assist the Promotional Bureau with Camp marketing
  - Provide for smooth out processing

Additionally, the management team is responsible for personnel decisions, and will:

- Recruit staff based on camper enrollment and program requirements
- Arrange for staff training and certifications as appropriate
- Implement sound human resources practices
- Audit operations to ensure necessary regulatory compliance and best practices

The management team will also provide financial management that will:

- Develop and oversee the business management functions of the camp including financial record keeping, office operations, camp store, etc.
- Oversee financial operations to allow for adequate funding to meet long-term goals
- Deliver final budget following the conclusion of the 2013 Camp season to the Arrowhead Center Board.

## **OPERATIONS PLAN**

Having operated the camp for the last two years, the Connaughton Group will be able to seamlessly provide operational and administrative control of the Camp property.

The broad duties that will be assumed by the Connaughton Group include having an on-site manager to:

- Assist in creating policies that serve the needs and interests of campers
- Seek input from youth, families, staff, etc., regarding the quality, safety, and enjoyment of the programs and develop satisfying activities
- Perform operational planning that includes identifying and obtaining equipment and supplies — food; maintenance; activities (Rifles, archery, water sports, etc.); housekeeping; etc.
- Review, select and contract with vendors - food, gas, supplies, etc.
- Provide needed licensing and insurance
- Develop and monitor the budget for the facility and camp operations
- Prepare crisis and risk management procedures

### **MARKETING PLAN**

A thorough marketing plan was performed in 2012 that provides a blueprint for the 2013 season and beyond. Highlights include:

- Enhancing features on the Camp Esquagama website
- Redesigning the annual brochure, to include developing an online video
- Offering camp photography and videographer options
- Providing family household targeted mailing lists
- Working with media outlets to increase advertising exposure
- Arranging event attendance and exhibitions
- Creating a social media presence

The marketing plan will be revised to reflect the evolving programming.

### **DETAILED BUSINESS PLAN**

#### **FINANCIAL PLAN (APPENDIX 4)**

As the projected changes to the property and programming become developed, revenues should exceed expenses. These projections are based on an assumption that the trend of increased enrollment will continue.

One key variable in creating sustainable revenue will be the speed of making improvements and obtaining ACA accreditation. Since additional programming is dependent on many of the improvements, it is understandable that there could be flux in the projected revenue numbers. That said, the management team has enough experience with the property to understand what improvements should be prioritized and how to marry those improvements with programming changes.

With improvements started and increased revenue from expanded programming, the Arrowhead Center is confident that by the end of the first 5 years, that Camp revenues should exceed expenses. After building a small reserve assist with unexpected costs, the Arrowhead Center intends to use any positive cash flow from the Camp to provide scholarships to those in need who would like to attend Camp activities.

### **CAPITAL IMPROVEMENT PLAN (APPENDIX 5)**

The information in this section comes from Annual Reports delivered to the County by Camp Esquagama's management team, health and safety inspections, and from a site visit to Camp Esquagama by a camp construction expert that took place September 3 - 5, 2012. The focus of the capital improvement plan is to suggest necessary improvements to the existing grounds and facilities to create a minimum safety level.

#### **Safety/Building Code Observations:**

Many Safety and Building Code concerns exist throughout the camp. This is a list of immediate concerns:

1. Stair railings are loose or need replacement
2. Unsafe stairs from the Lodge to the North and South lake access
3. Fall prevention barriers - require modification of existing and installation of new barriers
4. Trip/Fall hazards (lodge West patio, Lodge South area adjacent to deck, South lodge walkway)
5. Window well covers insufficient
6. Ramps (Not built to code, slip hazards)
7. Kitchen structure (Building code violations in floor, walls & ceiling) needs repair/replace
8. Dishwashing station and wash basin need replacing
9. Fire alert system insufficient (Location of detectors must be reconfigured)
10. Electrical (Grounding concerns throughout)
11. Egress in the lodge is not in compliance; same with egress in the Directors Cabin

#### **Previously Completed Maintenance Insufficient**

Between 1996 and 2006, a total of \$ 547,605.00 was spent on improvements to the Camp. Below are specific areas where repairs were made which now need to be redone.

#### **Main Lodge Windows (Amount Spent - \$108,274)**

- Installed 24 new windows (Majority of windows were not installed within standard quality construction practices - no perimeter seal to negate infiltration of weather elements, not fit to opening, open gaps to outside, not fastened in place) and the majority need to be replaced or reinstalled.

**Accessibility Improvements (Amount Spent - \$44,000)**

- ADA compliant main lodge washrooms, ramps to cabins (Main lodge washrooms ADA compliance incomplete: Sinks, Ramp to shower, Etc.)
- Appearance of mold behind 1<sup>st</sup> level bath across from office.
- Ramps not to code (Railings, Non-skid, etc.)

**Main Lodge Windows and Doors (Amount Spent - \$15,000)**

- Installed four-season doors & windows on first floor (Separate from the 24 windows previously mentioned on the first floor of the lodge).
- Doors (There are only 6 doors on the first floor. Out of the six 4 appear to be new. 3 out of the 4 new doors are split completely through in multiple locations. Most of the doors are installed improperly, e.g., no weather stripping, open areas allowing exposure to elements, doors do not latch, etc.). Majority of doors need to be replaced.

**Main Deck Replacement (Amount Spent - \$52,000)**

- The EPDM (rubber membrane) roof installed on the deck of the main lodge was not installed within standard quality construction practices and does not appear to be installed within manufacturer's specifications. (There are multiple areas, typical throughout the entire roof, where water is leaking directly to the structural substrate) Excessive leaking is causing staining and deterioration to the log structure, de-lamination of paint and degradation of the concrete/stone structure directly below the deck area. All pavers need to be removed and a new roof needs to be installed with proper flashing, drainage and according to manufacturer's specifications.

Current Maintenance Requirements:

The recommendations below are necessary to bring the Camp into a safe operational status. The recommended improvements will also pave the way to expand Camp programming.

Improvement	Recommendation
<p><b>Landscaping</b></p> <ul style="list-style-type: none"> <li>• There is a considerable amount of overgrowth from the outdoor seating area adjacent to the lake, continuing up the hillside to the lodge. The overgrowth encompasses both stairway accesses up to the lodge. The stone patio located on the West side of the lodge is also overgrown.</li> </ul>	<p><b>Recommendation:</b> These landscaping items are an eyesore and create safety concerns (Trip, Fall &amp; Eye Hazards). Basic clearing and installation of weed barriers and fill material recommended.</p>

<p>The seating area adjacent to the lake (amphitheater) is also covered by overgrowth and is in need of repair.</p>	
<p><b>Lodge Roof</b></p> <ul style="list-style-type: none"> <li>The current condition of the lodge roof is showing substantial signs of deterioration, curling, moss growth as well as deterioration of flashing and sealant.</li> </ul>	<p><b>Recommendation:</b> Replace the existing roof system down to the substrate. Replace any deteriorated substrate. Remove existing skylights. Insulate existing roof structure (from above with insulated panels if the existing roof framing structure can support the additional load factor) or from below with interior insulation panels retrofit between the existing beam rafters.</p>
<p><b>Floors</b></p> <ul style="list-style-type: none"> <li>The existing wood floors are showing signs of splintering, splitting and deterioration. The paint on the lower level lodge floor is delaminating. The kitchen floor is deteriorating and is unsanitary (Health risk).</li> </ul>	<p><b>Recommendation:</b> Refinish all wood floors on the main level of the lodge and repaint the floors of the existing cabins. Remove and replace the kitchen floor.</p>
<p><b>Main Lodge Plumbing</b></p> <p>The current condition of the bathroom facilities located on the lower level of the lodge is currently not within ADA standards. Most of the existing supply lines are constructed from galvanized pipe and are original to the structure; from speaking with the Camp Director there is a definite issue with water pressure for the entire lodge due to sediment build up in the lines. Maintenance of these lines is extremely difficult since the majority of the pipe is constricted by sediment.</p>	<p><b>Recommendation:</b> Modify existing bathrooms to make ADA compliant and replacement of existing plumbing system where necessary.</p>
<p><b>Electrical</b></p> <ul style="list-style-type: none"> <li>Previous modifications and improvements to the existing electrical system have proven to be successful. There are still multiple rooms where receptacles do not appear to be properly grounded and there are areas of</li> </ul>	<p><b>Recommendation:</b> Inspection by a state certified electrical inspector and improvements made accordingly.</p>

<p>exposed wiring that should be encased in conduit (green-field). The existing lighting for the stairways from the lodge to the lake does not have sufficient illumination. The cabin electrical outlets are not equipped with a ground type receptacle. With possible expansion of new programs and four season operations, system capacity requirements should be assessed and updated.</p>	
<p><b>Stone, Paver, Retaining Wall, Column &amp; Post Repair</b></p> <ul style="list-style-type: none"> <li>• These items are typical throughout the entire grounds (especially the lodge and amphitheater area). There is a considerable amount of deterioration of the constructional components of the retaining walls, columns, stairs, patio, amphitheater seating.</li> </ul>	<p><b>Recommendation:</b> Evaluate the condition and integrity of the structural components of all of the areas previously noted. Establish a repair/replacement schedule based on safety conditions and structural classifications first then prioritize according to stages of decomposition.</p>
<p><b>Lodge Kitchen</b></p> <ul style="list-style-type: none"> <li>• The existing kitchen does not appear to be within code compliance in many aspects (Floor, ceiling, walls, equipment and others). Also, based on the amount of campers and staff currently serviced by the existing kitchen and to assure the capability to provide healthy, quality food products, it appears that the size of the kitchen facility is not sufficient to support the existing quota and definitely would not be sufficient if additional programs were implemented.</li> </ul>	<p><b>Recommendation:</b> Renovate the existing kitchen expanding the space (internally or externally) to satisfy code requirements, provide adequate space for walk-in coolers, ovens, sanitary equipment, etc., while considering the future implementation of additional food service demands due to expansion of the camps service capabilities.</p>
<p><b>Lodge Upper Sleeping Area</b></p> <ul style="list-style-type: none"> <li>• The existing sleeping area located on the upper level of the lodge is currently able to house 51 people. This area does not appear to be conducive to this type of housing requirement especially when the safety issues are considered (Access, egress, sanitary facilities, fire/smoke detection and alert systems). Also, this area is located directly above the kitchen, which creates concerns when considering fire safety as well as infiltration of noise and odors during active kitchen operations.</li> </ul>	<p><b>Recommendation:</b> Renovate the upper level sleeping area into three studio apartment style rooms, one reading/lounge area, storage and gender specific ¾ bathrooms, which will be utilized for specialized counselors. Do to the displacement of the existing campers, construct multiple platform style (seasonal) cabins and locate them within the existing cabins and the rest can be</p>

	constructed and placed within the athletic area located to the east side of the existing camping area.
<p><b>General Maintenance</b></p> <ul style="list-style-type: none"> <li>There are multiple general maintenance items throughout the camp that require attention, e.g., lock replacement, door and window repairs, painting, patching, etc.</li> </ul>	<p><b>Recommendation:</b> Assess and develop a maintenance schedule based on priorities and conditions of existing maintenance items.</p>

### Infrastructure Requirements:

The earlier recommendations in this proposal for near-term maintenance will allow operational sufficiency. The following infrastructure requirements will optimize the Camp property and enable the programming expansion to begin as early as next year. The beneficial impact the Camp will experience from these improvements should be substantial within its operational structure and program planning capabilities.

Collectively, all the recommendations should have a substantial impact on the Camp, increasing the positive perspective of public opinion toward the Camp and be instrumental in launching the Camp toward a self-sustaining operational model.

#### 1. Facility Modifications To Allow Year-Round Operations Capability:

- Modify existing water supply lines to enable operations during the fall and winter months.
- Insulate the existing facilities for use during winter program operations.
- Modify existing facilities to be compatible with new heating/cooling systems (An assessment by the management group is recommended to prioritize the list of structures to be modified).
- Modify the mechanical systems of the facilities, to allow activation during specific times of operation and deactivation when not being utilized.

#### 2. Recommended Additional Facility Structures

- Construction of a new maintenance facility large enough for storage of tools, equipment, camp service vehicles, maintenance shop, etc. (Utilize the existing maintenance shop for storage and operations station for new programs).
- Construction of a new pavilion located where the existing badmitten court is located (There are no fair-weather structures on site).
- Construct platform-style cabins to accommodate the displacement of campers from the upper level of the lodge.
- Construct a new facility which can be utilized for housing and programs for children, and youth with special needs (This structure can be built within the athletic field area).

**Long-Term Preventative Maintenance and Capital Development Needs:**

Although the implementation of the recommended maintenance and improvements will enable the Camp to develop a self-sustaining performance model, the developmental perspective is progressive. This will ensure self-sustaining performance, sustainable program development, the ability to generate new community outreach/support programs, increased exposure to multiple markets and will establish Camp Esquagama as a marquee provider of Camp and recreational services.

**1. Construction and Expansion of Facilities and Infrastructure to Support Progressive Development:**

- Construction of new cabins and support facilities utilized for executive/corporate retreats. The existing playground/garden area is an ideal location for a 'corporate village'. It can provide privacy, yet is close to the lodge and all support facilities provided by the camp (Anticipated phase #1 will house 50 people with the ability to expand further). The corporate village will be located in close proximity to the new waste treatment facility providing a cost effective development of the supporting infrastructure.
- Construction of campsites and boutique cabins along the ADA compliant blacktop walking trail and floating bog walk. (These sites can be easily developed and utilized for specialty type programs and enthusiast groups, e.g., music, nature, adventure, etc.
- Construction of an alcohol and drug dependency treatment facility which would facilitate approximately 20 - 30 patients with the appropriate staff. This facility would have its own, dedicated supporting infrastructure. The location for the treatment facility could be along the Eastern boundary of the property, allowing access via private road.

Appendix 6 contains photos of the property.

**OUTREACH/OFFERINGS FOR AREA RESIDENTS**

New Programming will create growth opportunities outside of the traditional summer camp model. One programming change that occurred in 2012 was to expand day camp (offered as an alternative to residential camp). The additional enrollment and revenue proved that this is a successful idea if promoted well.

Here are other potential uses for the Camp property, outside of the summer camp season:

- Special Needs Camp
  - Autism
  - Down Syndrome
- Bereavement Camp
- Outdoor Camp Leadership Program
  - Veterans
  - Native Americans
  - Business community
- Adventure Camp

- Counselor in Training programs

Additional recreational opportunities might include:

- Hockey Camp
- Band Camp
- Corporate retreats
- Music Festivals
- Foster Care Programs

Anticipated Treatment Services might include:

- Sober School
- Leadership training
- Skills program
  - For Adults
  - For Juveniles as an extension of Arrowhead Juvenile Corrections
- In-patient treatment
  - Juveniles
  - Adults
  - Women-focused programs

Solicitations of interest for these treatment options have grown over the last few years. Demand for area in-patient drug and alcohol dependency treatment programs is overflowing. Establishing a housing facility that could comfortably handle roughly 20 - 30 patients would raise substantial revenue. Working in conjunction with local agencies, e.g., Drug Court, Arrowhead Juvenile Corrections, etc., programs such as sober school, leadership training, and living skills programs would be cash positive and provide immense benefit.

#### **MODEL OF SELF SUFFICIENCY**

Additional enrollment has pushed revenue higher in each of the last two camp seasons. In both years, the management contract wasn't signed until approximately March, putting advertising efforts at a disadvantage. Awarding the Arrowhead Center the property early in 2013 will give it the best chance to start well this year. A strong marketing effort combined with improved structures and additional programming, along with expanded year round recreational opportunities, would increase enrollment and use of the property to a self sustaining level as early as 2013/2014.

A key goal of the Arrowhead Center is to provide more scholarships for Camp Esquagama. The proposed changes should create a positive cash flow, which can then be directed back towards scholarships. The addition of treatment services will add further revenues. With an end goal to cash flow the property on its own, again, having two defined yet separate revenue streams offers the best opportunity.

#### **STRATEGIC PARTNERSHIPS AND SUPPORT**

Examples of relationships where the Arrowhead Center could partner with the community include:

- Department of Human Services
- IRRC
- Mines
- AJC
- Drug Court (Sober School)
- Other camps
- Department of Tourism

### TRANSITION TIMETABLE

A statement in the County's Request for Proposal offers:

*Over the years, St. Louis County has invested hundreds of thousands of dollars to improve camp facilities, amenities, and support the operation of the camp. All major facility needs at the camp have currently been addressed save the replacement of the main lodge roof, which is in need of attention within the next year or two, and the stairway access to the waterfront which need to be modified to improve camper safety.*

Sadly, observations by outside experts show that, despite the earlier efforts, substantial capital improvements are needed at the Camp Esquagama property. Securing a promise of funds for these capital improvements is a cornerstone of this proposal.

Preparing the Camp property for future users by bringing the property up to acceptable standards is critical to ensuring the success of a handoff.

#### **Requested Financial Contributions**

As part of the transition, the Arrowhead Center is asking for \$2.1 million in capital and operating capital. This amount will be spread over a 5 year period, with the bulk of the funding requested in the first two years of the lease. The Arrowhead Center understands the need to be responsible with its funding request. The actual estimated cost of repairs was higher but the Arrowhead Center believes it can reduce those costs while still achieving what needs to be done, and the reduced amount of \$2.1 million reflects those savings.

From an operational standpoint, there were a number of improvements during the 2012 camp season that resulted in higher enrollment and revenue. The Arrowhead Center is confident that it can bring the Camp financial self-sustainability within the first 5 years. In the interim, the Arrowhead Center would ask the County to continue to provide operational funds. This is no different from the current situation; although the light at the end of the tunnel is that the Arrowhead Center is making changes to eliminate the subsidies.

The rationale for the funding request is that many of the needed improvements are for repairs that were incorrectly done the first time around. Also, some of the improvements are needed to bring the camp in compliance with ACA accreditation and ADA standards. Bringing the Camp up to code is required to provide the greatest chance for the Camp to achieve financial stability.

Further, since the improvements are spread over a 5 year period, the request for operational funding is fair as the Camp will operate at a disadvantage until improvements are finalized.

One final note, the expense of developing treatment facilities and operating those services is not included in the funding requests. The Arrowhead Center will privately raise funds for those programs and facilities.

The total amount of financial aid requested is \$2.1 million. As the County will continue to maintain ownership of the property, the benefits of the improvement funds will remain with the County. Also, the operational savings are much lower than the County has traditionally paid on an annual basis.

### SUMMARY

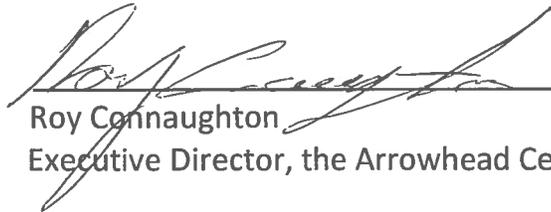
In summary, the transition plan will focus on preserving Camp Esquagama as a summer camp, while offering expanded services and recreational opportunities to a wide variety of County residents. The property will be professionally managed, with the backing of a long-time community leader. The requested capital improvement funds to assist the transition will ultimately benefit the County, laying the groundwork for a self sustaining enterprise that will provide years of benefits to the County.



On behalf of the Staff and Board of the Arrowhead Center, we respectfully submit this proposal.



Lee Branville  
Board Chairman, the Arrowhead Center



Roy Connaughton  
Executive Director, the Arrowhead Center

**APPENDIX 1**  
**Provider Profile**

# Respondent Profile



Respondent Profile - Appendix II  
 100 N. 5th Ave. W #202  
 Duluth, MN  
 USA  
 55802-1287  
 Phone: 21-726-2448  
 Fax: 218-726-2469  
 www.co.st-louis.mn.us

Date:

New  Revised

Company Name:   
 Address:   
 State/Province:   
 Zip/Postal Code:   
 Company Federal ID #:

Phone:   
 Fax:   
 E-mail Address:   
 Website:   
 Years in Business:

**Form of Company or Organization (Please check one):**

- Corporation (For Profit)  
 Corporation (Not for Profit)  
 Sole Proprietor  
 Partnership  
 Limited Liability Company  
 Other (List Below)

**List Company Details (Other):**

Non Profit Corporation offering education and outpatient treatment for adults and adolescents. Partnerships with local agencies offering programs for community growth and well being.

## Officers of the Company or Organization

Name (1):   
 Position/Title:   
 Years in Position:

Name (2):   
 Position Title:   
 Years in Position:

Name (3):   
 Position/Title:   
 Years in Position:

Name (4):   
 Position/Title:   
 Years in Position:

Name of person completing this form:

Date completed:

Signature:

**APPENDIX 2**  
**EVIDENCE OF FINANCIAL VIABILITY**

**ARROWHEAD CENTER, INC.**  
**(A Nonprofit Corporation)**  
**Virginia, Minnesota**

**FINANCIAL STATEMENTS**

**YEAR ENDED**  
**DECEMBER 31, 2010**

**ARROWHEAD CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010**

with comparative information for the year ended December 31, 2009

<b>ASSETS</b>	<u>2010</u>	<u>(Memo Only)</u> <u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 7,993	\$ 5,309
Accounts Receivable, less allowance of doubtful receivables of \$5,000	79,566	122,109
Grants and contracts receivable	3,357	3,785
Prepaid Expenses	<u>1,691</u>	<u>3,035</u>
Total Current Assets	<u>92,607</u>	<u>134,238</u>
Property and Equipment		
Property and equipment	398,840	387,043
Accumulated Depreciation	<u>(228,257)</u>	<u>(215,313)</u>
Net Property and Equipment	<u>170,583</u>	<u>171,730</u>
<b>TOTAL ASSETS</b>	<b><u>\$263,190</u></b>	<b><u>\$305,968</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Line of Credit, Bank	\$ 40,000	\$ 5,000
Current portion of long-term debt	6,027	7,037
Accounts Payable	31,765	56,322
Accrued compensation and related liabilities	50,436	29,081
Deferred Revenue	<u>—</u>	<u>—</u>
Total Current Liabilities	<u>128,228</u>	<u>97,440</u>
Long-Term Debt, net of current portion	<u>138,855</u>	<u>143,871</u>
<b>TOTAL LIABILITIES</b>	<b><u>267,083</u></b>	<b><u>241,311</u></b>
<b>NET ASSETS</b>		
Unrestricted	<u>(3,893)</u>	<u>64,657</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$263,190</u></b>	<b><u>\$305,968</u></b>

The accompanying Notes are an integral part of these financial statements.

**ARROWHEAD CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2010**

(with comparative information for the year ended December 31, 2009)

	<u>2010</u>	(Memo Only) <u>2009</u>
<b>Unrestricted Net Assets</b>		
Support and Revenue		
United Way Grant	\$ 12,597	\$ 16,141
County and other contracts	247,155	299,190
Donations	225	-
Program service fees	503,742	468,884
Interest income	73	100
Rent income	55,512	51,829
Miscellaneous income	<u>833</u>	<u>721</u>
Total Support and Revenue	<u>820,137</u>	<u>836,865</u>
Expenses		
Program services		
Chemical dependency services	764,599	691,913
Supporting services		
Management and General	<u>124,088</u>	<u>111,525</u>
Total Expenses	<u>888,687</u>	<u>803,438</u>
<b>Change in Unrestricted Net Assets</b>	(68,550)	33,427
<b>Net Assets - Beginning of Year</b>	<u>64,657</u>	<u>31,230</u>
<b>Net Assets - End of Year</b>	<u>\$ (3,893)</u>	<u>\$ 64,657</u>

The accompanying Notes are an integral part of these financial statements.

**ARROWHEAD CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2010**  
(with comparative information for the year ended December 31, 2009)

	2010			
	<u>Program Services</u>	<u>Supporting Services</u>		
	Chemical/Gambling Dependency Services	Management and General	(Memo Only) 2010 Total	(Memo Only) 2009 Total
Salaries	\$447,271	\$ 78,930	\$526,201	\$489,425
Employee Benefits	75,252	13,280	88,532	76,972
Payroll taxes	<u>44,489</u>	<u>7,851</u>	<u>52,340</u>	<u>44,965</u>
Subtotal - Compensation	567,012	100,061	667,073	611,362
Advertising	4,310	761	5,071	397
Automobile expense	2,043	360	2,403	7,264
Bad debt expense	14,870	-	14,870	13,474
Building expense, occupancy	25,078	4,426	29,504	37,309
Consulting fees	35,183	6,209	41,392	23,423
Depreciation	11,132	1,813	12,945	12,193
Equipment maintenance, repair	3,491	616	4,107	2,095
Equipment rental	3,919	692	4,611	4,793
Insurance	18,449	3,256	21,705	10,431
Interest	10,620	1,874	12,494	8,630
Office supplies	3,966	700	4,666	7,571
Property tax	540	95	635	-
Printing, publications, postage	3,482	615	4,097	3,956
Professional fees	1,715	303	2,018	-
Program supplies	45,711	-	45,711	37,066
Staff development and training	4,273	754	5,027	13,659
Telephone and Internet	<u>8,805</u>	<u>1,553</u>	<u>10,358</u>	<u>9,815</u>
<b>Total Functional Expenses</b>	<b><u>\$764,599</u></b>	<b><u>\$124,088</u></b>	<b><u>\$888,687</u></b>	<b><u>\$803,438</u></b>

The accompanying Notes are an integral part of these financial statements.

**ARROWHEAD CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**  
(with comparative information for the year ended December 31, 2009)

	<u>2010</u>	<u>(Memo Only)</u> <u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (68,550)	\$ 33,427
Adjustments to Reconcile Change in Net Assets to Net Cash used by Operating Activities:		
Depreciation	12,945	12,193
(Increase) decrease in operating assets:		
Accounts Receivable	42,543	(51,368)
Grants receivable	428	20,413
Prepaid expenses	1,344	(668)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(24,557)	(18,295)
Accrued compensation and related liabilities	21,355	7,762
Deferred revenue	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(14,492)</u>	<u>3,464</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	<u>(11,797)</u>	<u>(14,578)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	—	157,500
Proceeds from short-term debt	81,000	56,000
Payments on long-term debt	(6,027)	(93,618)
Payments on short-term debt	<u>(46,000)</u>	<u>(120,396)</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>28,973</u>	<u>(514)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	2,684	(11,628)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>5,309</u>	<u>16,937</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 7,993</u>	<u>\$ 5,309</u>
 Supplemental Disclosures		
Interest Paid	<u>\$ 12,494</u>	<u>\$ 8,630</u>

The accompanying Notes are an integral part of these financial statements.

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**ARROWHEAD CENTER INC**  
**Balance Sheet**  
As of December 31, 2011

10/17/12

accrual Basis

	Dec 31, 11
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
999 · Total Cash	
1000 · Checking	7,582.72
1050 · General savings	1,393.68
1053 · Building savings	4,414.99
1080 · Petty cash	100.00
999 · Total Cash - Other	207.85
<b>Total 999 · Total Cash</b>	<b>13,699.24</b>
<b>Total Checking/Savings</b>	<b>13,699.24</b>
<b>Accounts Receivable</b>	
1009 · A/R	
1010 · Accounts Receivable	-18,676.00
1009 · A/R - Other	33,859.97
<b>Total 1009 · A/R</b>	<b>15,183.97</b>
<b>Total Accounts Receivable</b>	<b>15,183.97</b>
<b>Other Current Assets</b>	
1017 · A/R-Advantage Total	
1015 · Advantage Deposits	-499,298.91
1016 · A/R-Advantage-Charges & Adj	569,750.79
<b>Total 1017 · A/R-Advantage Total</b>	<b>70,451.88</b>
1220 · Grants Receivable	
1220-50 · United Way Grant Rec	10,707.00
<b>Total 1220 · Grants Receivable</b>	<b>10,707.00</b>
1290 · ALLOWANCE FOR BAD DEBT	-5,000.00
1400 · Prepaid assets	34,184.81
<b>Total Other Current Assets</b>	<b>110,343.69</b>
<b>Total Current Assets</b>	<b>139,226.90</b>
<b>Fixed Assets</b>	
1610 · Land	46,500.00
1615 · Building	170,320.51
1625 · Building Improvements	86,327.46
1645 · Equipment	66,489.76
1655 · Furniture and Fixtures	14,122.08
1665 · Vehicles	19,881.00
1666 · Accumulated Depreciation	-239,393.00
<b>Total Fixed Assets</b>	<b>164,247.81</b>
<b>TOTAL ASSETS</b>	<b>303,474.71</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
2000 · Accounts Payable	5,725.39
<b>Total Accounts Payable</b>	<b>5,725.39</b>
<b>Other Current Liabilities</b>	
2010 · Line of Credit-NSB	20,000.00
2030 · Accrued Payroll Expenses	
2035 · Accrued salaries	10,229.60
2043 · Vacation Payable	7,656.41
2052 · Roth IRA Payable	1,593.60
2055 · 401 Pension Plan withheld	1,170.79
2056 · 401 Pension Pay-Company Match	18,240.75
<b>Total 2030 · Accrued Payroll Expenses</b>	<b>38,891.15</b>

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Accrual Basis

**ARROWHEAD CENTER INC**  
**Balance Sheet**  
**As of December 31, 2011**

	<u>Dec 31, 11</u>
2045 · Current Portion-L T Debt	6,026.64
2100 · Payroll Tax Liabilities	
2044 · State Inc Tax Withheld	984.00
2048 · MN UC Liability	1,859.00
2100 · Payroll Tax Liabilities - Other	5,193.57
<b>Total 2100 · Payroll Tax Liabilities</b>	<u>8,036.57</u>
<b>Total Other Current Liabilities</b>	<u>72,954.36</u>
<b>Total Current Liabilities</b>	78,679.75
<b>Long Term Liabilities</b>	
2612 · Bldg Note Payable-LT Portion	137,582.97
2614 · Less Current Portion LT Debt	-6,026.64
<b>Total Long Term Liabilities</b>	<u>131,556.33</u>
<b>Total Liabilities</b>	210,236.08
<b>Equity</b>	
32000 · Unrestricted Net Assets	8,890.49
Net Income	84,348.14
<b>Total Equity</b>	<u>93,238.63</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>303,474.71</u></u>

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Accrual Basis

**ARROWHEAD CENTER INC**  
**Profit & Loss**  
 January through December 2011

Jan - Dec 11

## Ordinary Income/Expense

## Income

## 4000 · Support, Grants, Donations

4045 · Donations	2,563.00
4055 · Lake Sup Initiative Grant-LSI	12,755.00
4060 · Superior Babies Grant	46,000.08
4070 · United Way	42,827.96
4080 · New Hope Grant	45,000.00
4090 · Grant Income - Other	6,000.20

## Total 4000 · Support, Grants, Donations

155,146.24

## 4100 · Revenue Earned, Program Fees

4104 · A.C.T. - St Louis County	88,442.04
4108 · Cognitive Fees from drug Crt	14,400.00
4113 · Credit Bureau Collections	1,174.90
4120 · Drug screens	
4123 · Drug Court	57,397.00
4125 · In-House Drug screens	3,960.00
4127 · Outside Businesse drug Screens	29,958.56
4120 · Drug screens - Other	1,115.00

## Total 4120 · Drug screens

92,430.56

## 4130 · Education Fee Income

4135 · DWI Clinic Fees	14,625.00
4130 · Education Fee Income - Other	650.00

## Total 4130 · Education Fee Income

15,275.00

## 4140 · OP Fees Earned

4145 · Assessment Fees Earned	56,751.00
4146 · Adolscent Fees Earned	62,314.06
4147 · New Hope Fees Earned	76,598.23
4148 · Adult Fees Earned	425,532.61
4140 · OP Fees Earned - Other	0.00

## Total 4140 · OP Fees Earned

621,195.90

## 4150 · St Louis Cty-Court Contract

50,000.01

## 4155 · St Louis County Grant

66,878.04

## Total 4100 · Revenue Earned, Program Fees

949,796.45

## 4300 · Other Income

4310 · Interest-Savings, Short-term CD	40.47
4315 · Miscell & Refund Income	4,367.35
4320 · Rental Income	54,067.26

## Total 4300 · Other Income

58,475.08

## Total Income

1,163,417.77

## Gross Profit

1,163,417.77

## Expense

## 5000 · Program Expenses

5002 · Advertising	4,181.85
5005 · Clergy 5th Step fees	225.00
5006 · Donations expense	545.00
5007 · Drug screen expenses	37,076.84
5009 · DWI Class expenses	700.00
5013 · Overpayment refunds	3,353.77
5015 · Salaries	628,506.58
5016 · Pension Expenses	18,434.40
5017 · Program Supplies	3,482.46
5018 · BC/BS Health Insurance	77,020.76
5019 · Tapes, videos	612.24
5020 · Taxes- Fica, M/C-Comp portion	47,523.39
5021 · Taxes- Unemployment	15,034.00
5024 · Workman's Comp Insurance	2,757.48
5025 · Program licenses	3,055.91

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Accrual Basis

**ARROWHEAD CENTER INC**  
**Profit & Loss**  
 January through December 2011

	Jan - Dec 11
<b>Total 5000 · Program Expenses</b>	<b>842,509.68</b>
<b>5030 · Contract Services</b>	
5031 · Accounting Fees	384.70
5033 · Billing Servcies	13,200.00
5036 · Consulting Fees	13,112.50
5037 · Legal Fees	2,693.00
5030 · Contract Services - Other	627.55
<b>Total 5030 · Contract Services</b>	<b>30,017.75</b>
<b>5050 · Staff Costs</b>	
5051 · Development-staff	1,875.00
5054 · Licensing-staff	1,934.64
5055 · Lodging-staff	3,143.18
5056 · Recruiting-staff	912.35
5057 · Travel-staff	6,970.99
<b>Total 5050 · Staff Costs</b>	<b>14,836.16</b>
<b>5070 · Building Operations</b>	
5071 · Cleaning	2,339.45
5076 · Equipment rental/maintenance	361.14
5081 · Ground Maintenance	6,173.07
5082 · Insurance-property	3,100.39
5083 · Interest	9,157.26
5084 · Materials & Repair-Bldg	3,186.34
5087 · Property Taxes	667.76
5088 · Supplies-Bldg	2,572.21
5090 · Utilities	16,997.91
<b>Total 5070 · Building Operations</b>	<b>44,555.53</b>
<b>6020 · Operations</b>	
6022 · Auto-gasoline	3,324.86
6023 · Auto-Main & Repair	1,781.40
6024 · Auto-Insurance	2,992.41
6025 · Auto-Lease	7,793.83
6050 · Bank fees	540.69
6051 · Books,Dues,subscriptions	4,469.55
6052 · Commissions-Billing Svc	15.70
6054 · Copier rental	4,563.54
6055 · Insurance-General liability	13,347.19
6057 · Internet service	8,926.18
6059 · Licenses,permits	440.00
6061 · Maint & repair-office eqpt/furn	2,071.60
6064 · Meals & Entertainment	3,972.56
6065 · Miscellaneous expenses	163.74
6067 · Small equipment	0.00
6069 · Office supplies	1,589.60
6071 · Postage,	2,382.51
6072 · Printing and Copying	3,157.33
6075 · Temp Fees	31,938.15
6076 · Telephone, Telecommunications	11,884.15
6020 · Operations - Other	312.67
<b>Total 6020 · Operations</b>	<b>105,667.66</b>
<b>66900 · Reconciliation Discrepancies</b>	<b>0.08</b>
<b>Total Expense</b>	<b>1,037,586.86</b>
<b>Net Ordinary Income</b>	<b>125,830.91</b>
<b>Other Income/Expense</b>	
<b>Other Expense</b>	
<b>7000 · Other Expenses</b>	
5004 · Bad Debt expense	3,505.51
5011 · Insurance Write-offs	26,841.26
5072 · Depreciation	11,136.00

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Accrual Basis

**ARROWHEAD CENTER INC**  
**Profit & Loss**  
**January through December 2011**

	<u>Jan - Dec 11</u>
Total 7000 - Other Expenses	<u>41,482.77</u>
Total Other Expense	<u>41,482.77</u>
Net Other Income	<u>-41,482.77</u>
Net Income	<u><u>84,348.14</u></u>

**APPENDIX 3**  
**EXECUTIVE SUMMARY**



# Executive Summary of Proposal

Camp Esquagama RFP - Appendix II  
 100 N. 5th Ave. W #202  
 Duluth, MN  
 USA  
 55802-1287  
 Phone: 21-726-2448  
 Fax: 218-726-2469  
 www.co.st-louis.mn.us

**Company Name:** Arrowhead Center, Inc

**Website:** thearrowheadcenter.org

**Address:** 505 12th Avenue West, Suite 1

**State/Province:** Virginia, MN

**Zip/Postal Code:** 55792

**Respondent's Name:** Roy Connaughton

**Position:** Chief Executive Officer

**Phone:** 218-749-2877

**Overview of Proposal**

**Terms:**

St. Louis County will lease Camp Esquagama to The Arrowhead Center for a 20 year period, beginning January 1, 2013. Upon expiration of the initial term, the lease will have an option to renew for 5 year intervals, giving the Arrowhead Center first refusal rights. As a lease condition, Arrowhead Center will ensure that Camp Esquagama continues to operate. Additionally, the Arrowhead Center will manage the property in a way that generates positive cash flow and assumes any financial and administrative burden.

**Camp Vision (vision for Camp E future):**

The Arrowhead Center will transform Camp Esquagama from a traditional summer camp to a multi-purpose property that accommodates year round activities. Beneficiaries will be special needs campers, veterans, Native Americans, and the area community. This transition relieves the County of the administrative and financial responsibility for the property and allows broader use that will serve all the residents of St. Louis County.

**Capital Improvement & Maintenance Plan:**

\$1.2 million in capital improvements is needed for necessary repairs and improvements to the facility, bringing it to a state where it would be financially self sufficient. A comprehensive maintenance schedule has been suggested to bring Camp up to acceptable standards.

**Financial Plan (elements that will ensure sustainability of operations):**

Expanding Camp programming will increase the appeal of the property as will increasing the recreational opportunities. Extending the use of the property to a 12 month model will create additional revenue opportunities. In addition to broader camping programming and recreational activities, a substance abuse treatment center will be established. Dual revenue streams offer the greatest opportunity for financial self sufficiency.

**Additional Information:**

The team the County hired to manage Camp Esquagama over the last two years has a national reputation for successfully managing similar properties and making them cash flow. That team is headed by the Arrowhead Center's Executive Director. In short, a de facto transition has already begun, with Arrowhead's intimate knowledge of the property giving it a distinct edge when it comes to hitting the ground running and strategic planning for the property.

By my signature, I hereby certify that I have the authority to make this offer on behalf of the Company/Organization named above.

**Type Name:** Roy Connaughton

**Signature:**  **Date:** October 18, 2012

**APPENDIX 4**  
**DETAILED FINANCIALS - 5 YEAR PLAN**  
**PROPOSED OPERATING/CAPITAL IMPROVEMENT BUDGET**  
**FOR THE YEARS 2013, 2014, 2015, 2016 AND 2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>REVENUES</b>					
St. Louis County Operating/Capital Improvement Grant	\$ 949,271	639,867	200,581	177,073	167,208
5 YR Total:	2,134,000				
Other Grants Donations	2,000	5,000	5,000	5,000	5,000
Residential Camp Income	90,000	90,000	120,000	150,000	170,000
Day Camp Income	6,750	10,000	12,000	14,000	16,000
Other Camp Rental Income	500	1,000	5,000	5,000	5,000
Inventory/Canteen Sales	4,700	5,500	6,000	6,500	7,000
Interest Income	60	60	60	60	60
<b>TOTAL REVENUES</b>	<b>\$1,053,281</b>	<b>751,427</b>	<b>348,641</b>	<b>357,633</b>	<b>370,268</b>
<b>EXPENSES</b>					
Wages, Payroll Taxes & Administration Fees	\$ 199,015	203,486	208,091	212,833	217,718
Personnel Recruitment and Benefits	8,500	9,200	9,500	9,800	10,000
Advertising & Marketing	13,000	15,000	17,000	17,000	17,000
Camp Costs:					
General Camp & Program Supplies	25,000	28,000	29,000	30,800	36,400
Printing Supplies					
Travel & Meetings	1,000	1,000	1,000	1,000	1,000
Utilities	19,300	33,000	34,000	35,000	36,000
Bank/PayPal Fees	1,000	1,500	1,600	1,700	1,800
Inventory	4,550	5,000	5,500	6,000	6,500
Insurance	12,000	12,500	13,000	13,000	13,000

Office & Postage	8,250	9,000	9,250	9,500	9,750
Accounting/Auditing	4,300	4,300	4,300	4,500	4,500
Repairs & Maintenance	6,000	6,000	6,000	6,000	6,000
Scholarships	2,000	5,000	5,000	5,000	5,000
Telephone	3,500	3,500	4,000	4,000	4,000
Licenses/Taxes	1,265	1,300	1,400	1,500	1,600
<b>TOTAL EXPENSES</b>	<b>\$308,680</b>	<b>337,786</b>	<b>348,641</b>	<b>357,633</b>	<b>370,268</b>
<b>CAPITAL EXPENSES</b>	<b>744,601</b>	<b>413,641</b>			
	**see attached recommendations**				
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*\*Please note – this projection is based on a very conservative estimate, the intent is to be self-sufficient by the end of 2017\*\*

**APPENDIX 5  
CAPITAL IMPROVEMENT PLAN**

<b>CAMP ESQUAGAMA CAPITOL DEVELOPMENT / PROJECT LOGISTICAL PLAN AND COST ALLOCATION SCHEDULE</b>		
DESCRIPTION OF TASK	SCHEDULE	ESTIMATED COST
SAFETY/BUILDING CODE OBSERVATIONS	2013	\$ 83,321.00
1 Stair Railing (Typical Throughout)		
2 Stairs (Lodge, North & South Access to the Lake)		
3 Fall Prevention Barriers		
4 Trip/Fall Hazards (Lodge w/ patio, S. Adjacent to deck, Lodge S. walkway)		
5 Main Lodge Window Well Coverings		
6 Ramps		
7 Lodge Fire Alert System		
8 Egress (Lodge & Director's Cabin)		
9 Lodge Upper Level (Close-off/Non-Camper Area)		
CONSTRUCTION NEW PLATFORM CABINS (Displacement for lodge upper level sleeping area)	2013	\$ 162,540.00
LODGE KITCHEN/ACCESSIBILITY /MAIN LODGE HEATING IMPROVEMENTS KITCHEN (BROUGHT TO COMPLIANCE/AS APPLICABALE)	2013	\$ 266,740.00
LODGE MAIN ROOF REPLACEMENT	2013	\$ 127,000.00
LODGE DECK ROOF RECONSTRUCTED / REPLACEMENT	2013	\$ 38,000.00
RECONSTRUCTION OF UPPER LODGE UNIT	2013	\$ 67,000.00
	<b><u>2013</u></b>	
	<b><u>Total:</u></b>	<b><u>\$ 744,601.00</u></b>
WINDOWS & DOORS	2014	\$ 193,950.00
WINTERIZATION OF CABINS AND LODGE	2014	\$ 158,750.00
ELECTRICAL IMPROVEMENTS	2014	\$ 18,341.00
FLOORS (LODGE & CABINS)		\$ 42,600.00
LANDSCAPING: STONE, PAVER, RETAINING WALL, COLUMN & POST REPAIR	2014	
	<b><u>2014</u></b>	
	<b><u>Total:</u></b>	<b><u>\$ 413,641.00</u></b>
	<b><u>Total:</u></b>	<b><u>\$ 1,158,242.00</u></b>

APPENDIX 6 - PHOTO'S OF THE PROPERTY

<p><b>Lodge Windows</b></p> 	<p><b>Lodge Roof</b></p> 	<p><b>Landscaping</b></p> 
<p><b>Lodge Steps</b></p> 	<p><b>Railing</b></p> 	<p><b>Egress Window</b></p> 
<p><b>Access to Lake/No Rails</b></p> 	<p><b>Tuck Pointing on Patio</b></p> 	<p><b>Paver Stone/Patio</b></p> 
<p><b>Lodge Wall</b></p> 	<p><b>Lodge Flashing</b></p> 	<p><b>Patio Rot</b></p> 