

YOUTH 180, INC.
(Formerly Known as Dallas Challenge, Inc.)

**FINANCIAL STATEMENTS
& SINGLE AUDIT REPORT**

August 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Youth 180, Inc. (Formerly known as Dallas Challenge, Inc.)

Report on the Financial Statements

We have audited the accompanying financial statements of Youth 180, Inc. (Formerly known as Dallas Challenge, Inc.) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of August 31, 2018 and 2017, and the changes in the net assets and the cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on the Schedule of Expenditures of Federal Funds

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019 on our consideration of Youth 180, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youth 180, Inc.'s internal control over financial reporting and compliance.



Frank W. Bonn, CPA, PLLC
Colleyville, Texas
March 13, 2019

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statements of Financial Position
August 31, 2018 and 2017

ASSETS		
	2018	2017
Current Assets		
Cash and Cash Equivalents-Unrestricted	\$ 282,929	327,424
Grants Receivable	142,711	121,778
Other Receivables	7,920	5,025
Prepays and Other Current Assets	19,168	17,661
Total Current Assets	452,728	471,888
Property and Equipment		
Property and equipment, net of accumulated depreciation of \$193,551 and \$179,109, respectively	252,670	265,362
TOTAL ASSETS	\$ 705,398	\$ 737,250
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 14,078	\$ 13,221
Accrued Expenses	44,919	60,259
Total Current Liabilities	58,997	73,480
Net Assets		
Unrestricted	646,401	663,770
Temporarily Restricted	-	-
Permanently Restricted	-	-
Total Net Assets	646,401	663,770
TOTAL LIABILITIES AND NET ASSETS	\$ 705,398	\$ 737,250

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statement of Activities
For the Year Ended August 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ 90,519	\$ -	\$ -	\$ 90,519
Grants				
Federal / State Grants	1,701,991	-	-	1,701,991
Local Grants	15,287	-	-	15,287
United Way	50,000	-	-	50,000
Service Fees	76,430	-	-	76,430
InKind Contributions	82,587	-	-	82,587
Other Income	3,019	-	-	3,019
Net Assets Released from Restrictions	-	-	-	-
Total Revenue and Public Support	2,019,833	-	-	2,019,833
EXPENSES				
Substance Abuse Prevention	1,762,801	-	-	1,762,801
Substance Abuse Treatment	216,885	-	-	216,885
Educational Services	24,309	-	-	24,309
Total Program Services	2,003,995	-	-	2,003,995
General and Administrative	26,033	-	-	26,033
Fundraising	7,174	-	-	7,174
Total Expenses	2,037,202	-	-	2,037,202
CHANGE IN NET ASSETS	(17,369)	-	-	(17,369)
NET ASSETS AT BEGINNING OF YEAR	663,770	-	-	663,770
NET ASSETS AT END OF YEAR	\$ 646,401	\$ -	\$ -	\$ 646,401

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statement of Activities
For the Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT				
Contributions	\$ 42,684	\$ -	\$ -	\$ 42,684
Grants				
Federal / State Grants	1,592,351	-	-	1,592,351
Local Grants	9,465	-	-	9,465
United Way	50,000	-	-	50,000
Service Fees	82,653	-	-	82,653
InKind Contributions	63,123	-	-	63,123
Net Assets Released from Restrictions	-	-	-	-
Total Revenue and Public Support	1,840,276	-	-	1,840,276
EXPENSES				
Substance Abuse Prevention	1,687,923	-	-	1,687,923
Substance Abuse Treatment	131,538	-	-	131,538
Educational Services	24,404	-	-	24,404
Total Program Services	1,843,865	-	-	1,843,865
General and Administrative	33,025	-	-	33,025
Fundraising	2,255	-	-	2,255
Total Expenses	1,879,145	-	-	1,879,145
CHANGE IN NET ASSETS	(38,869)	-	-	(38,869)
NET ASSETS AT BEGINNING OF YEAR	702,639	-	-	702,639
NET ASSETS AT END OF YEAR	\$ 663,770	\$ -	\$ -	\$ 663,770

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statements of Cash Flows
For the Years Ended August 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (17,369)	\$ (38,869)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation Expense	14,442	13,472
(Increase) Decrease in Assets:		
Grants Receivable	(20,933)	(14,812)
Other Receivables	(2,895)	(5,025)
Prepaid Expenses and Other Current Assets	(1,507)	(17,661)
Increase (Decrease) in Liabilities:		
Accounts Payable	857	13,221
Accrued Expenses	(15,340)	16,076
CASH USED FOR OPERATING ACTIVITIES	(42,745)	(33,598)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property & Equipment	(1,750)	(15,000)
CASH USED FOR INVESTING ACTIVITIES	(1,750)	(15,000)
 CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	-	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,495)	(48,598)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	327,424	376,022
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 282,929	\$ 327,424
 SUPPLEMENTAL DISCLOSURES		
 In-Kind Contributions and Contributed Services	\$ 82,587	\$ 63,123
 Cash Paid During the Year for Interest Expense	\$ -	\$ -

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statement of Functional Expenses
For the Year Ended August 31, 2018

	Program Services		
	Substance Abuse Prevention	Substance Abuse Treatment	Educational Services
	Salaries	1,207,949	152,702
Payroll Taxes	90,359	11,284	187
Retirement Contributions	7,072	336	-
Other Employee Benefits	193,139	28,660	-
Total Personnel	1,498,519	192,982	2,707
Bank Charges and Credit Card Fees	-	-	-
Contract Labor	-	488	18,503
Depreciation and Amortization	-	-	-
Dues and Subscriptions	2,041	852	-
Insurance	9,385	797	-
Marketing & Promotions	1,816	311	807
Office Supplies	25,073	1,743	36
Postage and Shipping	147	11	298
Printing and Publications	9,408	1,021	13
Professional Fees	10,455	1,350	-
Program Expenditures	-	-	369
Rent *	78,133	4,453	-
Repairs and Maintenance	14,410	1,987	-
Supplies	31,347	3,331	1,275
Telecommunications	39,732	4,230	-
Training	4,393	1,112	-
Travel and Entertainment	27,025	986	301
Utilities	10,917	1,231	-
Total Expenses	1,762,801	216,885	24,309

* Amounts include In-Kind (Note 8)

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statement of Functional Expenses(Continued)
For the Year Ended August 31, 2018

	Total Program Services	General & Administrative	Fundraising	Total
Salaries	\$ 1,363,171	\$ -	\$ -	\$ 1,363,171
Payroll Taxes	101,830	-	-	101,830
Retirement	7,408	-	-	7,408
Other Employee Benefits	221,799	-	-	221,799
Total Personnel	<u>1,694,208</u>	<u>-</u>	<u>-</u>	<u>1,694,208</u>
Bank Charges and Credit Card Fees	-	2,478	-	2,478
Contract Labor	18,991	-	-	18,991
Depreciation and Amortization	-	14,442	-	14,442
Dues and Subscriptions	2,893	3,242	-	6,135
Insurance	10,182	-	-	10,182
Marketing & Promotions	2,934	3,884	7,174	13,992
Office Supplies	26,852	202	-	27,054
Postage and Shipping	456	460	-	916
Printing and Publications	10,442	344	-	10,786
Professional Fees	11,805	-	-	11,805
Program Expenditures	369	-	-	369
Rent *	82,586	-	-	82,586
Repairs and Maintenance	16,397	-	-	16,397
Supplies	35,953	198	-	36,151
Telecommunications	43,962	-	-	43,962
Training	5,505	485	-	5,990
Travel and Entertainment	28,312	298	-	28,610
Utilities	<u>12,148</u>	<u>-</u>	<u>-</u>	<u>12,148</u>
Total Expenses	<u>\$ 2,003,995</u>	<u>\$ 26,033</u>	<u>\$ 7,174</u>	<u>\$ 2,037,202</u>

* Amounts include In-Kind (Note 8)

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statement of Functional Expenses
For the Year Ended August 31, 2017

	Program Services		
	Substance Abuse Prevention	Substance Abuse Treatment	Educational Services
	Salaries	1,146,966	91,522
Payroll Taxes	85,735	7,216	307
Retirement Contributions	7,386	909	82
Other Employee Benefits	228,540	15,979	1,276
Total Personnel	1,468,627	115,626	7,371
Bank Charges and Credit Card Fees	143	12	5
Contract Labor	3,733	433	15,747
Depreciation and Amortization	-	-	-
Dues and Subscriptions	3,534	1,638	9
Equipment Rental	-	-	-
Insurance	8,771	910	196
Marketing & Promotions	5,975	657	-
Office Supplies	17,316	2,447	329
Postage and Shipping	333	8	282
Printing and Publications	7,058	1,334	44
Professional Fees	13,419	580	-
Program Expenditures	-	-	392
Rent *	59,714	911	-
Repairs and Maintenance	10,756	972	-
Supplies	16,535	1,030	4
Telephone	21,402	1,847	27
Training	7,158	602	(2)
Travel and Entertainment	29,083	1,081	-
Utilities	14,366	1,450	-
Total Expenses	1,687,923	131,538	24,404

* Amounts include In-Kind (Note 8)

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Statement of Functional Expenses (Continued)
For the Year Ended August 31, 2017

	Total Program Services	General & Administrative	Fundraising	Total
Salaries	\$ 1,244,194	\$ -	\$ -	\$ 1,244,194
Payroll Taxes	93,258	-	-	93,258
Retirement	8,377	-	-	8,377
Other Employee Benefits	245,795	-	-	245,795
Total Personnel	1,591,624	-	-	1,591,624
Bank Charges and Credit Card Fees	160	2,200	-	2,360
Contract Labor	19,913	26	-	19,939
Depreciation and Amortization	-	13,472	-	13,472
Dues and Subscriptions	5,181	1,541	-	6,722
Equipment Rental	-	-	-	-
Insurance	9,877	12	-	9,889
Marketing & Promotions	6,632	9,066	2,255	17,953
Office Supplies	20,092	16	-	20,108
Postage and Shipping	623	287	-	910
Printing and Publications	8,436	-	-	8,436
Professional Fees	13,999	-	-	13,999
Program Expenditures	392	-	-	392
Rent *	60,625	2,498	-	63,123
Repairs and Maintenance	11,728	-	-	11,728
Supplies	17,569	3,154	-	20,723
Telephone	23,276	18	-	23,294
Training	7,758	-	-	7,758
Travel and Entertainment	30,164	735	-	30,899
Utilities	15,816	-	-	15,816
Total Expenses	<u>\$ 1,843,865</u>	<u>\$ 33,025</u>	<u>\$ 2,255</u>	<u>\$ 1,879,145</u>

* Amounts include In-Kind (Note 8)

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

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization:

Youth 180, Inc. (Formerly known as Dallas Challenge, Inc.) (the “Organization”), is a not-for-profit organization based in Dallas, Texas established in 1984. The Organization’s mission is to help youth find the path to a healthy and productive life. Programs offered provide children, teens, and young adults with quality prevention, intervention, education and outpatient substance abuse treatment services. Education for the parents is also provided in most of the programs. The Organization serves young people ages 8-24 years old and that are primarily from low-income communities in Dallas County and surrounding areas. The Organization is managed by a Board of Directors, which consists of representatives from the business civic community and professional fields. These activities are funded primarily through federal and state grants, foundation grants, contributions and special event fundraising.

Significant Accounting Policies:

In fulfilling its responsibility for the preparation of the Organization’s financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense in the determination of support or expenditures. It is also necessary for management to determine, measure and allocate resources and obligations within the financial process according to those principles. Below is a summary of certain significant accounting policies selected by management.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation:

The statement of activities is a statement of the various financial activities and changes in net assets during the current reporting period. It does not purport to represent the results of operations nor of net income or loss for the period since the primary objective of the Organization is not to achieve a “profit”, but to support its mission stated above.

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 1 – (CONTINUED)

Net Asset Accounting:

As a nonprofit organization, the Organization maintains its records on a fund accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing accounts. Those funds are further classified into net asset groupings in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605-10 and 958-205, as follows:

Unrestricted net assets – Net assets that are not restricted by donor-imposed stipulations. Unrestricted net assets may include certain funds that the Board of Directors has determined are to be designated for a particular purpose.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor restrictions exist that specify how the assets are to be used. Gifts of long-lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organization reports expirations of donor restrictions when the donated assets are placed in service, unless donor restrictions indicate otherwise. Income from permanently restricted net assets is recorded as unrestricted unless otherwise restricted by the donor.

Statement of Cash Flows:

The statement of cash flows is presented using the “indirect method.” For purposes of this statement, the Organization considers as cash, all cash on hand, cash in checking accounts, money market funds and other similar instruments with maturities of three months or less, as cash equivalents.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments that are redeemable in 90 days or less to be cash and cash equivalents.

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 1 – (CONTINUED)

Grants Receivable:

Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represents unreimbursed expenditures as of August 31, 2018 and 2017. An allowance for doubtful accounts is established when deemed appropriate (See Note 3).

Property and Equipment:

Purchased property and equipment are recorded at historical cost. Donated property and equipment are recorded at their fair value at the date of contribution. The grantors have reversionary interest in the assets acquired with grant funds and their disposition is subject to federal, state and local regulations. The Organization's capitalization policy is to expense property and equipment purchases less than \$1,000. Repairs and maintenance are charged to expense as incurred. Depreciation is recorded using a straight-line method. The estimated useful lives are as follows:

Buildings and Leasehold Improvements	15 to 40 years
Furniture & Fixtures	5 to 7 years

Contributions:

Contributions, including unconditional promises to give, are recorded at their fair value at the date of receipt. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

In-Kind Contributions:

The Organization receives donated facilities and they are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. The values of these facilities are based on the fair market value for similar items. The values of these items have been reflected in the financial statements as they meet the criteria for recognition under ASC 605-10, *Accounting for Contributions Received and Contributions Made*.

Functional Allocation of Expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the various programs and supporting services benefited.

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 1 – (CONTINUED)

Advertising Costs:

Advertising costs are expensed as incurred. There were no advertising costs incurred for the years ended August 31, 2018 and 2017.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. However, the Organization is subject to federal excise tax and unrelated business income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income or known federal excise taxes for the years ended August 31, 2018 and 2017.

Fair Value of Financial Instruments:

The Organization’s financial instruments, none of which are held for trading purposes, include cash, grants and other receivables, accounts payable, and other liabilities. The Organization estimates that the fair market value of all financial instruments at August 31, 2018 and 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Use of Estimates and General Assumptions:

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – LINE OF CREDIT

The Organization has established a line of credit with Compass Bank in the amount of \$75,000 with a maturity date of March 21, 2019. The total amount drawn against the line of credit at August 31, 2018 and 2017 is \$0.

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 3 – GRANTS RECEIVABLE

Grants receivable are due from various federal, state and local agencies and are deemed to be fully collectable by management, and consist of the following at August 31, 2018 and 2017:

	2018	2017
Texas Department of Health Services Grants	\$ 136,651	\$ 121,608
Dallas County	6,060	170
Total Grants Receivable	\$ 142,711	\$ 121,778

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at August 31, 2018 and 2017:

	2018	2017
Land	\$ 24,700	\$ 24,700
Building & Improvements	365,188	365,188
Furniture and Fixtures	56,333	54,583
Less: Accumulated Depreciation	(193,551)	(179,109)
Total Property and Equipment	\$ 252,670	\$ 265,362

Depreciation expense was \$14,442 and \$13,472 for the years ended August 31, 2018 and 2017, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets as of August 31, 2018 and 2017.

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

There were no permanently restricted net assets as of August 31, 2018 and 2017.

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

No net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors during the years ending August 31, 2018 and 2017.

NOTE 8 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions for various facilities during the year. The estimated values of such in-kind transactions are reflected in the statement of activities at their fair value and are recorded at the time of receipt of such facilities and consist of the following for the years ended August 31, 2018 and 2017:

	2018	2017
Donated facilities, Office rental	\$ 82,587	\$ 63,123
Total In-Kind Contributions	\$ 82,587	\$ 63,123

NOTE 9 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES

The Organization files an annual information return and has adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes* and has not identified any uncertain tax positions. The Organization’s Form 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 10 – CONCENTRATION OF REVENUE

Approximately 84% of support and revenue is received from and administered by the Texas Health and Human Services Commission for block grants. Continued funding from this source at current levels is dependent upon various factors. Such factors include economic conditions, compliance with grant provisions, continued government approval, new legislation, donor satisfaction, and public perception of mission effectiveness and relative importance. Collection of receivables and ongoing revenue generation is dependent, in part, upon the economic conditions of this area.

YOUTH 180, INC.
(Formerly known as Dallas Challenge, Inc.)
Notes to the Financial Statements
August 31, 2018 and 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES

At August 31, 2018, the Organization had lease commitments for two office copiers that expire on August 8, 2022. Future commitments are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>Amount</u>
2019	4,898
2020	4,898
2021	4,898
2022	<u>4,490</u>
Total	<u>\$ 19,184</u>

Lease expense was \$4,898 and \$408 for the years ended August 31, 2018 and 2017, respectively.

NOTE 12 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) plan. Employees at least 21 years of age are eligible to participate in the plan after one year of service. Participation in the plan is voluntary. The Organization makes a matching contribution to the plan based on a percentage of the employee's annual salary.

The Organization's matching contribution charged to expense was \$7,408 and \$8,377 for the years ended August 31, 2018 and 2017, respectively.

NOTE 13 – SUBSEQUENT EVENTS

An evaluation of subsequent events was performed in accordance with ASC 855-10, *Subsequent Events*, through March 13, 2019 which is the date of the report. No material subsequent events were noted.

SINGLE AUDIT INFORMATION

Frank W. Bonn, CPA, PLLC

Certified Public Accountant
6220 Colleyville Blvd., Suite A
Colleyville, Texas 76034

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*

To the Board of Directors and Management of
Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Dallas, Texas

We have audited, in accordance with the 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, the financial statements of Youth 180, Inc. (Formerly Dallas Challenge, Inc.) (a nonprofit organization), which comprises the statement of financial position as of August 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Youth 180, Inc.'s (the Organization) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Youth 180, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Youth 180, Inc.'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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Frank W. Bonn, CPA, PLLC". The signature is written in a cursive, flowing style.

Frank W. Bonn, CPA, PLLC
Colleyville, Texas
March 13, 2019

Frank W. Bonn, CPA, PLLC

Certified Public Accountant
6220 Colleyville Blvd., Suite A
Colleyville, Texas 76034

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors and Management of
Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Dallas, Texas

Report on Compliance for Each Major Federal Program

We have audited Youth 180, Inc.'s (Formerly Dallas Challenge, Inc.)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct or material effect on each of Youth 180, Inc.'s major federal programs for the year ended August 31, 2018. Youth 180, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Youth 180, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance 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 Youth 180, Inc.'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 of compliance for each major federal program. However, our audit does not provide a legal determination of Youth 180, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Youth 180, Inc. 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 August 31, 2018.

Report on Internal Control Over Compliance

Management of Youth 180, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Youth 180, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Youth 180, Inc.'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Frank W. Bonn, CPA, PLLC
Colleyville, Texas
March 13, 2019

Youth 180, Inc. (formerly Dallas Challenge, Inc.)
Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2018

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING #	EXPENDITURES	
			FEDERAL	STATE
<u>U.S. Department of Health and Human Services</u>				
Pass-through programs from:				
Texas Health and Human Services Commission				
<i>Block Grants for Prevention and Treatment of Substance Abuse:</i>				
Youth Prevention - Indicated (YPI)	93.959	2016-048208-003	\$ 223,722	\$ 29,811
Youth Prevention - Indicated (YPI)	93.959	2016-048209-003	262,398	29,634
Youth Prevention - Selective (YPS)	93.959	2016-048147-003	152,303	26,208
Youth Prevention - Selective (YPS)	93.959	2016-048150-003	214,312	26,336
Youth Prevention - Selective (YPS)	93.959	2016-049473-003	-	129,208
Youth Prevention - Universal (YPU)	93.959	2016-048148-003	155,515	30,121
Youth Prevention - Universal (YPU)	93.959	2016-048149-003	208,590	30,326
Youth Prevention - Universal (YPU)	93.959	2016-049511-003	5,971	115,435
Total Texas Health and Human Services Commission			1,222,811	417,079
Total Expenditures of Federal / State and Local Awards			1,222,811	417,079
<u>Other Governmental Awards:</u>				
Dallas County				
Dallas County Juvenile Department	16.540	3299801	62,101	-
Total Other Governmental Awards			62,101	-
Total Expenditures of Federal and State/Local Awards			\$ 1,284,912	\$ 417,079

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

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state grant activity of Youth 180, Inc. under programs of the federal government for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Youth 180, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youth 180, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-122, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE 3 – RECONCILIATION OF REVENUES AND EXPENSES

Federal financial assistance revenues are reported in the Organization’s financial statements as follows:

Federal and State Government Grants and Contracts	\$ 1,701,991
Timing Differences on Advances and Expenses	<u>-</u>
Federal Financial Assistance per Accompanying Schedule of Expenditures of Federal and State Awards	<u>\$ 1,701,991</u>

NOTE 4 – INSURANCE COVERAGE

The Organization maintained insurance in the amount of \$2,000,000 in general liability, \$1,000,000 in D&O Insurance and \$2,000,000 in professional liability coverage during the year ended August 31, 2018.

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant Deficiencies identified that are not considered to be material weakness(es)? Yes reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant Deficiencies identified that are not considered to be material weakness(es)? Yes 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 Section 510(a) or *OMB Compliance Supplement*? Yes No

Identification of major programs:

CFDA Number:
 93.959
 U.S. Department of Health and Human Services
 Pass-through programs from:
 Texas Health and Human Services Commission
 Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Youth 180, Inc. qualified as low-risk auditee? Yes No

Youth 180, Inc. (Formerly Dallas Challenge, Inc.)
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended August 31, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no matters reported.

Dallas Challenge, Inc.
Schedule of Prior Audit Findings
August 31, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no matters reported.