

YOUTH 180, INC.

**FINANCIAL STATEMENTS
& SINGLE AUDIT REPORT**

August 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Youth 180, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Youth 180, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, 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 Youth 180, Inc. as of August 31, 2019 and 2018, 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 and State Awards

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 January 9, 2020 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
January 9, 2020

Youth 180, Inc.
Statements of Financial Position
August 31, 2019 and 2018

ASSETS

	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 223,066	\$ 282,929
Grants Receivable	120,315	142,711
Other Receivables	11,423	7,920
Prepays and Other Current Assets	12,440	19,168
Total Current Assets	367,244	452,728
Property and Equipment		
Property and equipment, net of accumulated depreciation of \$202,574 and \$193,551, respectively	240,095	252,670
TOTAL ASSETS	\$ 607,339	\$ 705,398

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 2,977	\$ 14,078
Accrued Expenses	38,746	44,919
Total Current Liabilities	41,723	58,997
Net Assets		
Without Donor Restrictions:		
Undesignated	515,983	646,401
Total Without Donor Restrictions	515,983	646,401
With Donor Restrictions:		
Purpose Restricted	49,633	-
Total With Donor Restrictions	49,633	-
Total Net Assets	565,616	646,401
TOTAL LIABILITIES AND NET ASSETS	\$ 607,339	\$ 705,398

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

Youth 180, Inc.
Statement of Activities
For the Year Ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT			
Contributions	\$ 42,822	\$ 68,300	\$ 111,122
Grants			
Federal / State Grants	1,618,675	-	1,618,675
Local Grants	21,004	-	21,004
United Way	41,667	-	41,667
Service Fees	83,533	-	83,533
In-Kind Contributions	114,560	-	114,560
Other Income	3,544	-	3,544
Net assets released from restrictions:			
Satisfaction of program restrictions	18,667	(18,667)	-
Total Revenue and Public Support	<u>1,944,472</u>	<u>49,633</u>	<u>1,994,105</u>
EXPENSES			
Substance Abuse Prevention	1,666,274	-	1,666,274
Substance Abuse Treatment	273,488	-	273,488
Educational Services	17,989	-	17,989
Total Program Services	<u>1,957,751</u>	<u>-</u>	<u>1,957,751</u>
General and Administrative	106,730	-	106,730
Fundraising	10,409	-	10,409
Total Expenses	<u>2,074,890</u>	<u>-</u>	<u>2,074,890</u>
CHANGE IN NET ASSETS	(130,418)	49,633	(80,785)
NET ASSETS AT BEGINNING OF YEAR	<u>646,401</u>	<u>-</u>	<u>646,401</u>
NET ASSETS AT END OF YEAR	<u>\$ 515,983</u>	<u>\$ 49,633</u>	<u>\$ 565,616</u>

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

Youth 180, Inc.
Statement of Activities
For the Year Ended August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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
In-Kind Contributions	82,587	-	82,587
Other Income	3,019	-	3,019
Net Assets Released from Restrictions:			
Satisfaction of program restrictions	-	-	-
Total Revenue and Public Support	<u>2,019,833</u>	<u>-</u>	<u>2,019,833</u>
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	<u>2,003,995</u>	<u>-</u>	<u>2,003,995</u>
General and Administrative	26,033	-	26,033
Fundraising	7,174	-	7,174
Total Expenses	<u>2,037,202</u>	<u>-</u>	<u>2,037,202</u>
CHANGE IN NET ASSETS	(17,369)	-	(17,369)
NET ASSETS AT BEGINNING OF YEAR	<u>663,770</u>	<u>-</u>	<u>663,770</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 646,401</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 646,401</u></u>

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

Youth 180, Inc.
Statements of Cash Flows
For the Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (80,785)	\$ (17,369)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation Expense	14,374	14,442
(Increase) Decrease in Assets:		
Grants Receivable	22,396	(20,933)
Other Receivables	(3,503)	(2,895)
Prepaid Expenses and Other Current Assets	6,728	(1,507)
Increase (Decrease) in Liabilities:		
Accounts Payable	(11,101)	857
Accrued Expenses	(6,173)	(15,340)
CASH USED FOR OPERATING ACTIVITIES	(58,064)	(42,745)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property & Equipment	(1,799)	(1,750)
CASH USED FOR INVESTING ACTIVITIES	(1,799)	(1,750)
 CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	-	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59,863)	(44,495)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	282,929	327,424
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 223,066	\$ 282,929
 SUPPLEMENTAL DISCLOSURES		
 In-Kind Contributions and Contributed Services	\$ 114,560	\$ 82,587
 Cash Paid During the Year for Interest Expense	\$ -	\$ -

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

Youth 180, Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Program Services		
	Substance Abuse Prevention	Substance Abuse Treatment	Educational Services
	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 1,086,131	\$ 190,646	\$ 660
Payroll Taxes	95,038	16,372	45
Retirement Contributions	8,977	2,022	-
Other Employee Benefits	221,457	34,406	204
Total Personnel	<u>1,411,603</u>	<u>243,446</u>	<u>909</u>
Bank Charges and Credit Card Fees	-	-	-
Contract Labor	-	-	14,265
Depreciation and Amortization	-	-	-
Dues and Subscriptions	1,115	2,158	-
Insurance	9,401	1,522	-
Marketing & Promotions*	992	330	50
Office Equipment	-	-	-
Office Supplies	9,926	2,237	25
Other Expenses	-	-	-
Postage and Shipping	270	48	110
Printing and Publications	7,334	1,299	69
Professional Fees	10,103	2,002	-
Program Expenditures	-	-	369
Rent *	101,583	6,377	-
Repairs and Maintenance	-	-	-
Supplies	25,444	3,296	192
Telecommunications	23,360	3,311	2,000
Training	12,298	2,011	-
Travel and Entertainment	27,704	1,340	-
Utilities	25,141	4,111	-
Total Expenses	<u>\$ 1,666,274</u>	<u>\$ 273,488</u>	<u>\$ 17,989</u>

* Amounts include In-Kind

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

Youth 180, Inc.
Statement of Functional Expenses (Continued)
For the Year Ended August 31, 2019

	Total Program Services	General & Administrative	Fundraising	Total
Salaries	\$ 1,277,437	\$ 26,871	\$ -	\$ 1,304,308
Payroll Taxes	111,455	2,055	-	113,510
Retirement Contributions	10,999	-	-	10,999
Other Employee Benefits	256,067	6,759	-	262,826
Total Personnel	<u>1,655,958</u>	<u>35,685</u>	<u>-</u>	<u>1,691,643</u>
Bank Charges and Credit Card Fees	-	2,402	-	2,402
Contract Labor	14,265	-	-	14,265
Depreciation and Amortization	-	14,374	-	14,374
Dues and Subscriptions	3,273	1,800	-	5,073
Insurance	10,923	-	-	10,923
Marketing & Promotions*	1,372	3,283	10,409	15,064
Office Equipment	-	750	-	750
Office Supplies	12,188	238	-	12,426
Other Expenses	-	661	-	661
Postage and Shipping	428	-	-	428
Printing and Publications	8,702	309	-	9,011
Professional Fees	12,105	45,535	-	57,640
Program Expenditures	369	-	-	369
Rent *	107,960	-	-	107,960
Repairs and Maintenance	-	-	-	-
Supplies	28,932	303	-	29,235
Telecommunications	28,671	280	-	28,951
Training	14,309	887	-	15,196
Travel and Entertainment	29,044	223	-	29,267
Utilities	29,252	-	-	29,252
Total Expenses	<u>\$ 1,957,751</u>	<u>\$ 106,730</u>	<u>\$ 10,409</u>	<u>\$ 2,074,890</u>

* Amounts include In-Kind

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

Youth 180, 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 Equipment	-	-	-
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

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

Youth 180, 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 Contributions	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 Equipment	-	-	-	-
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	12,148	-	-	12,148
Total Expenses	<u>\$ 2,003,995</u>	<u>\$ 26,033</u>	<u>\$ 7,174</u>	<u>\$ 2,037,202</u>

* Amounts include In-Kind

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

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities, History and Organization:

Youth 180, 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.
Notes to the Financial Statements
August 31, 2019 and 2018

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 ASU 2016-14 as follows:

Net assets without donor restrictions – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors (the Board) are reported as net assets without donor restrictions, designated.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that are more restrictive than the Organization’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports gifts of property and equipment as without donor restrictions 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 with donor restrictions support. The Organization reports expirations of donor restrictions when the donated assets are placed in service, unless donor restrictions indicate otherwise. Income from net assets with donor restrictions, that are held permanently is recorded as nets assets without donor restriction unless otherwise restricted by the donor.

The Organization has a policy to report donor-restricted contributions whose restrictions are met in the same reporting period as support within net assets without donor restrictions.

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.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 1 – (CONTINUED)

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.

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, 2019 and 2018. An allowance for doubtful accounts is established when deemed appropriate.

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*.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 1 – (CONTINUED)

Functional Allocation of Expenses:

The costs of providing the services and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include salaries and wages, payroll taxes, other employee benefits which are allocated on the basis of estimates of time and effort, as well as dues and subscriptions, marketing and promotions, office supplies, printing and publications, professional fees, supplies, telecommunications, training and travel and entertainment which are allocated on the on the basis of square footage or some other reasonable basis.

Advertising Costs:

Advertising costs are expensed as incurred. There were no advertising costs incurred for the years ended August 31, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018 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.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 1 – (CONTINUED)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this pronouncement will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Organization adopted this new pronouncement effective September 1, 2018 for the year ended August 31, 2019, with retrospective application for the year ended August 31, 2018 financial statements. Accordingly, the prior year net assets portion of the statement of financial position has been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations. The Organization opted not to disclose liquidity and availability information for the year ended August 31, 2018 as permitted under the ASU in the year of adoption.

NOTE 2 – LINE OF CREDIT

The Organization had 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 was \$0. The line of credit was not renewed and therefore expired March 21, 2019.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

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, 2019 and 2018:

	2019	2018
Texas Health and Human Services Commission	\$ 114,951	\$ 136,651
Texas Office of the Governor Criminal Justice Division	5,364	6,060
Total Grants Receivable	\$ 120,315	\$ 142,711

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at August 31, 2019 and 2018:

	2019	2018
Land	\$ 24,700	\$ 24,700
Building & Improvements	362,740	362,740
Furniture and Fixtures	55,229	58,781
Less: Accumulated Depreciation	(202,574)	(193,551)
Total Property and Equipment	\$ 240,095	\$ 252,670

Depreciation expense was \$14,374 and \$14,442 for the years ended August 31, 2019 and 2018, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Subject to expenditure for specified purpose:		
Counselor for teens	\$ 49,633	\$ -
	\$ 49,633	\$ -

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

For years ending August 31, 2019 and 2018, approximately \$18,667 and \$0, respectively, in net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 7 – IN-KIND CONTRIBUTIONS

The Organization received in-kind contributions 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 and consist of the following for the years ended August 31, 2019 and 2018.

	2019	2018
Donated facilities, Office rental	\$ 107,960	\$ 82,587
Marketing & Promotions	6,600	-
Total In-Kind Contributions	\$ 114,560	\$ 82,587

NOTE 8 – 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 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 9 – CONCENTRATION OF REVENUE

Approximately 81% of total revenue and support 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.

NOTE 10 – 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 \$10,999 and \$7,408 for the years ended August 31, 2019 and 2018, respectively.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2019 and 2018

NOTE 11 – COMMITMENTS AND CONTINGENCIES

At August 31, 2019, the Organization had lease commitments for two office copiers that expire on August 8, 2022. Future commitments are as follows:

Year Ending August 31,	Amount
2020	\$ 5,095
2021	5,095
2022	4,670
2023	-
Total	<u>\$ 14,860</u>

Lease expense was \$5,095 and \$4,898 for the years ended August 31, 2019 and 2018, respectively.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESURCES

The following reflects the Organization’s financial assets as of August 31, 2019, reduced by amounts not available for general use due to donor-stipulated restrictions or internal designations that are amounts set aside for operating and other reserves that could be drawn upon if the Board approves the action.

Cash and Cash Equivalents	\$ 223,066
Grants Receivable	120,315
Other Receivables	<u>11,423</u>
Total Financial Assets	354,804
Donor Restrictions	(49,633)
Board Designations	<u>-</u>
Financial Assets Available to Meet Cash	
Needs for Expenditures Within One Year	<u>\$ 305,171</u>

NOTE 13 – SUBSEQUENT EVENTS

An evaluation of subsequent events was performed in accordance with ASC 855-10, *Subsequent Events*, through January 9, 2020 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.
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. (a nonprofit organization), which comprises the statement of financial position as of August 31, 2019, 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 January 9, 2020.

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
January 9, 2020

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.
Dallas, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Youth 180, 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 program for the year ended August 31, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; and 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, 2019.

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
January 9, 2020

Youth 180, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2019

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	\$ 223,951	\$ 28,946
Youth Prevention - Indicated (YPI)	93.959	2016-048209-003	265,640	28,946
Youth Prevention - Selective (YPS)	93.959	2016-048147-003	138,571	25,567
Youth Prevention - Selective (YPS)	93.959	2016-048150-003	193,867	25,567
Youth Prevention - Selective (YPS)	93.959	2016-049473-003	-	131,412
Youth Prevention - Universal (YPU)	93.959	2016-048148-003	134,594	26,796
Youth Prevention - Universal (YPU)	93.959	2016-048149-003	186,264	26,796
Youth Prevention - Universal (YPU)	93.959	2016-049511-003	-	113,216
Total U.S. Department of Health and Human Services			1,142,887	407,246
<u>U.S. Department of Justice</u>				
Pass-through programs from:				
Texas office of the Governor - Criminal Justice Division				
Juvenile Justice and Delinquency Prevention				
Allocation to States	16.540	3299801	68,542	-
U.S. Department of Justice			68,542	-
Total Expenditures of Federal and State Awards			\$ 1,211,429	\$ 407,246

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

Youth 180, Inc.
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of Youth 180, Inc. for the year ended August 31, 2019. 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, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented on the schedule may differ from amounts presented in or used in the preparation of the financial statements.
- (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	\$ 1,618,675
Timing Differences on Advances and Expenses	<u>-</u>
Federal Financial Assistance per Accompanying Schedule of Expenditures of Federal and State Awards	<u>\$ 1,618,675</u>

NOTE 4 – INDIRECT COST RATE

The Organization has contracted with the respective granting agencies for indirect cost rates. Allowable indirect costs for each award are determined by the related terms and conditions developed by the awarding agency for each program. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 5 – 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, 2019.

Youth 180, Inc.
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2019

NOTE 6 – NONFEDERAL MATCHING REQUIREMENT

The awards funded by the Texas Health and Human Services Commission (the “Commission”) requires that the Organization contribute an amount equal to at least 5% of the total Commission's share of the expenditures in matching cash or in-kind contributions from sources eligible to be used for matching purposes. The Organization utilized a portion of in-kind rent to fulfill its matching requirements for the year ended August 31, 2019.

Youth 180, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516? 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.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended August 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no matters reported.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no matters reported.

Youth 180, Inc.
Schedule of Prior Audit Findings
August 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no matters reported.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no matters reported.