

YOUTH 180, INC.

**FINANCIAL STATEMENTS
& SINGLE AUDIT REPORT**

August 31, 2020 and 2019

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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 statement of financial position as of August 31, 2020 and 2019, 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, 2020 and 2019, 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 February 28, 2021 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
February 28, 2021

Youth 180, Inc.
Statements of Financial Position
August 31, 2020 and 2019

ASSETS

	2020	2019
Current Assets		
Cash and Cash Equivalents-Unrestricted	\$ 102,989	\$ 223,066
Grants Receivable	176,796	120,315
Other Receivables	894	11,423
Prepays and Other Current Assets	8,284	12,440
Total Current Assets	288,963	367,244
Property and Equipment		
Property and equipment, net of accumulated depreciation of \$202,574 and \$193,551, respectively	233,554	240,095
TOTAL ASSETS	\$ 522,517	\$ 607,339

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 264	\$ 2,977
Accrued Expenses	69,254	38,746
Total Current Liabilities	69,518	41,723
Net Assets		
Without Donor Restrictions:		
Undesignated	452,999	515,983
Total Without Donor Restrictions	452,999	515,983
With Donor Restrictions:		
Purpose Restricted	-	49,633
Total With Donor Restrictions	-	49,633
Total Net Assets	452,999	565,616
TOTAL LIABILITIES AND NET ASSETS	\$ 522,517	\$ 607,339

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

Youth 180, Inc.
Statement of Activities
For the Year Ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT			
Contributions	\$ 69,528	\$ -	\$ 69,528
Grants			
Federal / State Grants	1,540,390	-	1,540,390
Local Grants	11,458	-	11,458
United Way	1,750	-	1,750
Service Fees	63,940	-	63,940
InKind Contributions	74,777	-	74,777
Other Income	3,363	-	3,363
Net assets released from restrictions:			
Satisfaction of program restrictions	49,633	(49,633)	-
Total Revenue and Public Support	<u>1,814,839</u>	<u>(49,633)</u>	<u>1,765,206</u>
EXPENSES			
Substance Abuse Prevention	1,548,842	-	1,548,842
Substance Abuse Treatment	270,134	-	270,134
Educational Services	18,595	-	18,595
Total Program Services	<u>1,837,571</u>	<u>-</u>	<u>1,837,571</u>
General and Administrative	40,252	-	40,252
Fundraising	-	-	-
Total Expenses	<u>1,877,823</u>	<u>-</u>	<u>1,877,823</u>
CHANGE IN NET ASSETS	(62,984)	(49,633)	(112,617)
NET ASSETS AT BEGINNING OF YEAR	<u>515,983</u>	<u>49,633</u>	<u>565,616</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 452,999</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 452,999</u></u>

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
Event Income		-	-
InKind Contributions	114,560		114,560
Interest Income		-	-
Realized Gain (Loss) on Investments			-
Unrealized Gain (Loss) on Investments			-
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.
Statements of Cash Flows
For the Years Ended August 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (112,617)	\$ (80,785)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation Expense	15,762	14,374
(Increase) Decrease in Assets:		
Grants Receivable	(56,481)	22,396
Other Receivables	10,529	(3,503)
Prepaid Expenses and Other Current Assets	4,156	6,728
Increase (Decrease) in Liabilities:		
Accounts Payable	(2,713)	(11,101)
Accrued Expenses	30,508	(6,173)
CASH USED FOR OPERATING ACTIVITIES	(110,856)	(58,064)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property & Equipment	(9,221)	(1,799)
CASH USED FOR INVESTING ACTIVITIES	(9,221)	(1,799)
 CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	-	-
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(120,077)	(59,863)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	223,066	282,929
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 102,989	\$ 223,066
 SUPPLEMENTAL DISCLOSURES		
 In-Kind Contributions and Contributed Services	\$ 74,777	\$ 114,560
 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, 2020

	Program Services		
	Substance Abuse Prevention	Substance Abuse Treatment	Educational Services
	Salaries	\$ 1,043,427	\$ 175,314
Payroll Taxes	89,898	14,664	721
Retirement Contributions	7,966	1,975	99
Other Employee Benefits	175,891	32,214	750
Total Personnel	1,317,182	224,167	11,142
Bank Charges and Credit Card Fees	-	-	-
Contract Labor	-	-	6,255
Depreciation and Amortization	-	-	-
Dues and Subscriptions	3,293	318	-
Insurance	9,245	1,384	-
Marketing & Promotions	1,437	567	-
Office Equipment	-	-	-
Office Supplies	24,058	2,079	28
Other Expenses	-	-	-
Payroll Service Fees	2,656	316	-
Postage and Shipping	200	46	110
Printing and Publications	7,484	1,080	27
Professional Fees	11,097	1,703	-
Program Evaluation Database	25,471	16,367	-
Program Expenditures	-	-	-
Rent *	63,756	7,595	1,019
Supplies	19,202	4,540	-
Telecommunications	23,208	3,265	-
Training	8,368	2,643	-
Travel and Entertainment	6,595	602	14
Utilities	25,590	3,462	-
Total Expenses	\$ 1,548,842	\$ 270,134	\$ 18,595

* 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, 2020

	Total			
	Program	General &		
	Services	Administrative	Fundraising	Total
Salaries	\$ 1,228,313	\$ 7,121	\$ -	\$ 1,235,434
Payroll Taxes	105,283	631	-	105,914
Retirement Contributions	10,040	86	-	10,126
Other Employee Benefits	208,855	878	-	209,733
Total Personnel	1,552,491	8,716	-	1,561,207
Bank Charges and Credit Card Fees	-	2,218	-	2,218
Contract Labor	6,255	-	-	6,255
Depreciation and Amortization	-	15,762	-	15,762
Dues and Subscriptions	3,611	1,912	-	5,523
Insurance	10,629	-	-	10,629
Marketing & Promotions	2,004	6,556	-	8,560
Office Equipment	-	-	-	-
Office Supplies	26,165	465	-	26,630
Other Expenses	-	-	-	-
Payroll Service Fees	2,972	22	-	2,994
Postage and Shipping	356	-	-	356
Printing and Publications	8,591	1,261	-	9,852
Professional Fees	12,800	-	-	12,800
Program Evaluation Database	41,838	-	-	41,838
Program Expenditures	-	-	-	-
Rent *	72,370	2,406	-	74,776
Supplies	23,742	35	-	23,777
Telecommunications	26,473	387	-	26,860
Training	11,011	341	-	11,352
Travel and Entertainment	7,211	171	-	7,382
Utilities	29,052	-	-	29,052
Total Expenses	<u>\$ 1,837,571</u>	<u>\$ 40,252</u>	<u>\$ -</u>	<u>\$ 1,877,823</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, 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	-
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><u>\$ 1,666,274</u></u>	<u><u>\$ 273,488</u></u>	<u><u>\$ 17,989</u></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
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.
Notes to the Financial Statements
August 31, 2020 and 2019

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 promote resiliency for youth and their families, empowering them on 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.

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.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 1 – (CONTINUED)

Those funds are further classified into net asset groupings in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-10-65-1, 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 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 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.

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.
Notes to the Financial Statements
August 31, 2020 and 2019

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, 2020 and 2019. 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*.

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.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 1 – (CONTINUED)

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019 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, 2020 and 2019

NOTE 1 – (CONTINUED)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly.

Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In June 2020, FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities which defers the effective date of ASU 2016-02 (Topic 842) to fiscal years beginning after December 15, 2021. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. ASU 2014-09 (Topic 606) replaced most of the existing revenue recognition guidance in U.S. GAAP when it became effective and permitted the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of ASU 2014-09 (Topic 606) by one year. Not-for-profit organizations should apply the guidance in ASU 2014-09 (Topic 606) to annual reporting periods beginning after December 15, 2018. The Organization adopted this pronouncement effective September 1, 2019 for the year ended August 31, 2020, with retrospective application for the year ended August 31, 2019 financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flow (Topic 230)*. This update is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update provides new guidance regarding the classification of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 1 – (CONTINUED)

Recently Adopted Accounting Pronouncements (continued):

This standard was effective for financial statements issued by not-for-profit organizations for annual periods beginning after December 15, 2018. The Organization adopted this pronouncement effective September 1, 2019 for the year ended August 31, 2020, with retrospective application for the year ended August 31, 2019 financial statements.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash, a consensus of the FASB Emerging Issues Task Force (Topic 230)*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance will result in a change in the cash flow statement to include restricted cash and restricted cash equivalents. The updated guidance was effective for annual periods beginning after December 15, 2018. The Organization adopted this pronouncement effective September 1, 2019 for the year ended August 31, 2020, with retrospective application for the year ended August 31, 2019 financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update were effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity services as the resource recipient and for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. The Organization adopted this pronouncement effective September 1, 2019 for the year ended August 31, 2020. The change in accounting principle was adopted on a modified prospective basis in fiscal year ending August 31, 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of August 31, 2020. There was no effect of adopting the new accounting principle on contributions in 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty, should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The updated guidance was effective for annual periods beginning after December 15, 2018. The Organization adopted this pronouncement effective September 1, 2019 for the year ended August 31, 2020, with retrospective application for the year ended August 31, 2019 financial statements.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

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, 2020. The total amount drawn against the line of credit at August 31, 2019 was \$0. The line of credit was not renewed and therefore expired March 21, 2020.

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, 2020 and 2019:

	2020	2019
Texas Department of Health Services Grant	\$ 170,542	\$ 114,951
Texas Office of the Governor Criminal Justice Division	6,254	5,364
Total Grants Receivable	\$ 176,796	\$ 120,315

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following at August 31, 2020 and 2019:

	2020	2019
Land	\$ 24,700	\$ 24,700
Building & Improvements	362,740	362,740
Furniture and Fixtures	64,045	55,229
Less: Accumulated Depreciation	(217,931)	(202,574)
Total Property and Equipment	\$ 233,554	\$ 240,095

Depreciation expense was \$15,762 and \$14,374 for the years ended August 31, 2020 and 2019, respectively. 2020.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Subject to expenditure for specified purpose:		
Counselor for teens	\$ -	\$ 49,633
	\$ -	\$ 49,633

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

For years ending August 31, 2020 and 2019, approximately \$49,633 and \$18,667, respectively, in net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors.

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, 2020 and 2019.

	2020	2019
Donated facilities, Office rental	\$ 74,777	\$ 107,960
Marketing & Promotions	-	6,600
Total In-Kind Contributions	\$ 74,777	\$ 114,560

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 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 9 – CONCENTRATION OF REVENUE

Approximately 96% of accounts receivable is due from and 87% 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. 2020.

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 \$10,126 and \$10,999 for the years ended August 31, 2020 and 2019, respectively.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 11 – COMMITMENTS AND CONTINGENCIES

At August 31, 2020, the Organization had lease commitments for an office copier and a software that expires on August 8, 2022 and December 31, 2025, respectively. Future commitments are as follows:

Year Ending August 31,	Amount
2021	\$ 12,676
2022	16,043
2023	11,372
2024	11,372
2025 and Thereafter	15,163
Total	<u>\$ 66,626</u>

Lease expense was \$6,255 and \$5,095 for the years ended August 31, 2020 and 2019, respectively.

NOTE 12– LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization’s financial assets as of August 31, 2020 and 2019, reduced by the 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:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 102,989	\$ 223,066
Grants Receivable	176,796	120,315
Other Receivables	894	11,423
Total Financial Assets	<u>280,679</u>	<u>354,804</u>
Donor Restrictions	-	(49,633)
Board Designations	-	-
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year	<u>\$ 280,679</u>	<u>\$ 305,171</u>

The Organization strives to maintain liquid financial assets sufficient to cover near-term operating needs and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be fulfilled. To achieve this the Organization forecasts its future cash flows and monitors its liquidity monthly and quarterly. During the year ended August 31, 2020, the level of liquidity was managed within the Organization’s expectations.

YOUTH 180, INC.
Notes to the Financial Statements
August 31, 2020 and 2019

NOTE 13 – 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 \$10,127 and \$10,999 for the years ended August 31, 2020 and 2019, respectively.

NOTE 14 – COVID-19

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which could impact the Organization's operations. Mandated and voluntary closings have caused various business disruptions and created volatility in the economy. While these disruptions are currently expected to be temporary, there is considerable uncertainty around the duration or the effect on the stock market. Any related financial impact and duration cannot be reasonably estimated at this time.

NOTE 15 – SUBSEQUENT EVENTS

An evaluation of subsequent events was performed in accordance with ASC 855-10, *Subsequent Events*, through February 28, 2021 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, 2020, 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 February 28, 2021.

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.



Frank W. Bonn, CPA, PLLC
Colleyville, Texas
February 28, 2021

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 AND THE *STATE OF TEXAS SINGLE AUDIT CIRCULAR*

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 and the State of Texas Single Audit Circular* that could have a direct or material effect on each of Youth 180, Inc.'s major federal and state programs for the year ended August 31, 2020. Youth 180, Inc.'s major federal and state 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 and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Youth 180, Inc.'s major federal and state 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) and the *State of Texas Single Audit Circular*. Those standards and The Uniform Guidance and the *State of Texas Single Audit Circular* 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 or state 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 and state program. However, our audit does not provide a legal determination of Youth 180, Inc.'s compliance.

Opinion on Each Major Federal and State 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 and state programs for the year ended August 31, 2020.

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 and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Single Audit Circular*, 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 and state 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 or state 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 or state 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 and the *Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



Frank W. Bonn, CPA, PLLC
Colleyville, Texas
February 28, 2021

Youth 180, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2020

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	HHS00077600016	\$ 327,312	\$ 96,173
Youth Prevention - Indicated (YPI)	93.959	HHS00077600004	160,137	40,025
Youth Prevention - Selective (YPS)	93.959	HHS00077600092	192,153	45,000
Youth Prevention - Selective (YPS)	93.959	HHS00077600093	103,982	22,928
Youth Prevention - Universal (YPU)	93.959	HHS00077600034	231,314	94,500
Youth Prevention - Universal (YPU)	93.959	HHS00077600035	111,087	42,000
Total U.S. Department of Health and Human Services			<u>1,125,985</u>	<u>340,626</u>
<u>Other Governmental Awards:</u>				
Texas Office of the Governor				
Criminal Justice Division	n/a	2019-SF-ST-0015	-	8,159
Criminal Justice Division	n/a	2020-SF-ST-0015	-	65,620
Total Other Governmental Awards			<u>-</u>	<u>73,779</u>
Total Expenditures of Federal and State/Local Awards			<u>\$ 1,125,985</u>	<u>\$ 414,405</u>

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, 2020

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. under programs of the federal government for the year ended August 31, 2020. 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) and the *Texas Single Audit Circular*. 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 the Uniform Guidance or the State of Texas Uniform Grant Management Standards, 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	\$ 1,540,390
Timing Differences on Advances and Expenses	<u>-</u>
Federal Financial Assistance per Accompanying Schedule of Expenditures of Federal and State Awards	<u>\$ 1,540,390</u>

NOTE 4 – INDIRECT COST RATE

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, 2020.

Youth 180, Inc.
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2020

NOTE 6 – NONFEDERAL MATCHING REQUIREMENT

The Organization funded by Texas Health and Human Services Commission requires that the program receive a nonfederal share equal to 5 percent of total Youth 180 expenses. The Organization used in kind rent of \$74,777 to fulfill its matching requirements.

NOTE 7 – INDIRECT COST RATE

The Organization is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the Organization has previously received a negotiated indirect cost rate for its federal awards.

Youth 180, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2020

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 and State 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 federal and state 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 for federal awards? \$750,000
 For state awards? \$300,000

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, 2020

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, 2020

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.