

YOUTH FOCUS, INC.

**FINANCIAL STATEMENTS AND
COMPLIANCE REPORT**

YEARS ENDED JUNE 30, 2016 AND 2015

YOUTH FOCUS, INC.
Officers and Board of Directors

OFFICERS

Sherry Allen
Chairperson

Susan Gerson
Vice Chairperson

Delores Saunders
Secretary

John Nicolson
Vice Chairperson, Finance

BOARD OF DIRECTORS

Sherry Allen

Debbie Reynolds

Dennis Campbell

Delores Saunders

Perry Flynn

Karen McKeithen Schaede

Susan Gerson

Wendi Schweiger

Lynn Jones

Jerry Shoffner

John Nicolson

Sandy Walden

Tom Morrison

YOUTH FOCUS, INC.

Table of Contents

	<u>Page No.</u>
Independent Auditor's Report	1
<i>Financial Statements</i>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses - Year Ended June 30, 2016	5
Statement of Functional Expenses - Year Ended June 30, 2015	6
Statements of Cash Flows	7
Notes to Financial Statements	8
<i>Supplementary Information</i>	
Statement of Revenues, Expenses, and Changes in Net Assets - By Program	15
Schedule of Receipts and Expenditures of Federal and State Awards	16
Notes to the Schedule of Receipts and Expenditures of Federal and State Awards	17
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 <i>Government Auditing Standards</i>	18
Independent Auditor's Report on Compliance For Each Major Program; and on Internal Control Over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Year Audit Findings and Questioned Costs	23

Independent Auditor's Report

To the Board of Directors
Youth Focus, Inc.
Greensboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Youth Focus, Inc. (a nonprofit organization) (the "Agency"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Agency'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 Agency'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Focus, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of revenues, expenses, and changes in net assets - by program is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of receipts and 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 August 16, 2016, on our consideration of Youth Focus 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 Focus, Inc.'s internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
August 16, 2016

YOUTH FOCUS, INC.
Statements of Financial Position
June 30, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 1,051,341	\$ 791,569
Investments	166,433	397,443
Receivables:		
Governmental agencies	140,950	136,111
Contributions	164,726	175,164
Medicaid	329,764	441,261
Other, net	140,868	98,601
Other assets	138,606	150,473
Total Current Assets	<u>2,132,688</u>	<u>2,190,622</u>
Noncurrent Assets:		
Restricted cash	7,462	6,093
Land, buildings, and equipment, net	2,872,966	2,970,485
Total Assets	<u>\$ 5,013,116</u>	<u>\$ 5,167,200</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Current portion of long-term debt	\$ 59,658	\$ 53,131
Accounts payable and accrued expenses	245,299	210,244
Total Current Liabilities	<u>304,957</u>	<u>263,375</u>
Noncurrent Liabilities:		
Long-term debt	990,457	1,037,480
Total Liabilities	<u>1,295,414</u>	<u>1,300,855</u>
Net Assets:		
Unrestricted:		
Undesignated	125,434	152,432
Board designated:		
Land, buildings, and equipment	2,872,966	2,970,485
Indigent care fund	554,576	568,265
Total Unrestricted	<u>3,552,976</u>	<u>3,691,182</u>
Temporarily restricted	164,726	175,163
Total Net Assets	<u>3,717,702</u>	<u>3,866,345</u>
Total Liabilities and Net Assets	<u>\$ 5,013,116</u>	<u>\$ 5,167,200</u>

YOUTH FOCUS, INC.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Federal and state grants:						
Department of Juvenile Justice	\$ 463,805	\$ -	\$ 463,805	\$ 747,593	\$ -	\$ 747,593
Substance Abuse	416,377	-	416,377	386,925	-	386,925
Runaway Youth Program	200,000	-	200,000	196,790	-	196,790
My Sister Susan's House	200,000	-	200,000	196,790	-	196,790
Transitional Living Program	200,000	-	200,000	203,330	-	203,330
Housing and Urban Development	51,673	-	51,673	49,860	-	49,860
Other	40,000	-	40,000	30,000	-	30,000
Medicaid	3,613,624	-	3,613,624	3,632,168	-	3,632,168
At Risk Clients	30,007	-	30,007	48,865	-	48,865
City of Greensboro	60,340	-	60,340	66,827	-	66,827
Guilford County Department of Social Services:						
Other	482,571	-	482,571	238,757	-	238,757
Guilford County:						
Community Based Organization Contract	1,000	-	1,000	64,225	-	64,225
Schools	144,192	-	144,192	205,829	-	205,829
Alamance County	35,727	-	35,727	29,546	-	29,546
EC Classroom	87,480	-	87,480	70,971	-	70,971
United Way of Greensboro	-	107,596	107,596	-	116,635	116,635
United Way of High Point	-	57,130	57,130	-	58,528	58,528
Special events	500	-	500	12,348	-	12,348
Insurance and client billings	60,667	-	60,667	108,342	-	108,342
Other grants, contracts and revenue	70,783	-	70,783	119,646	-	119,646
Investment income (loss)	(12,320)	-	(12,320)	8,380	-	8,380
Contributions	27,053	-	27,053	26,142	-	26,142
Total revenues	<u>6,173,479</u>	<u>164,726</u>	<u>6,338,205</u>	<u>6,443,334</u>	<u>175,163</u>	<u>6,618,497</u>
Net assets released from restrictions	175,163	(175,163)	-	177,697	(177,697)	-
Total revenues and net assets released from restrictions	<u>6,348,642</u>	<u>(10,437)</u>	<u>6,338,205</u>	<u>6,621,031</u>	<u>(2,534)</u>	<u>6,618,497</u>
Expenses:						
Program services	5,570,439	-	5,570,439	5,688,657	-	5,688,657
Support services	916,409	-	916,409	954,318	-	954,318
Total expenses	<u>6,486,848</u>	<u>-</u>	<u>6,486,848</u>	<u>6,642,975</u>	<u>-</u>	<u>6,642,975</u>
Changes in net assets	(138,206)	(10,437)	(148,643)	(21,944)	(2,534)	(24,478)
Net assets, beginning	3,691,182	175,163	3,866,345	3,713,126	177,697	3,890,823
Net assets, ending	<u>\$ 3,552,976</u>	<u>\$ 164,726</u>	<u>\$ 3,717,702</u>	<u>\$ 3,691,182</u>	<u>\$ 175,163</u>	<u>\$ 3,866,345</u>

See Notes to Financial Statements

YOUTH FOCUS, INC.
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services									Support Services			Totals	
	Counseling	Family Preservation	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Family Services	Residential Treatment Center	Day Treatment Programs	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous		Total Support Services
Wages	\$ 366,278	\$ 180,657	\$ 220,462	\$ 152,005	\$ 337,241	\$ 100,972	\$ 1,058,145	\$ 757,608	\$ 105,415	\$ 3,278,783	\$ 502,074	\$ -	\$ 502,074	\$ 3,780,857
Payroll taxes	39,436	19,962	24,367	14,954	32,800	9,344	112,604	78,614	11,143	343,224	54,168	-	54,168	397,392
Employee benefits	58,736	41,836	40,298	24,664	60,114	6,591	183,740	165,856	16,429	598,264	69,099	-	69,099	667,363
Employee marketing	-	-	-	-	-	-	-	-	-	-	1,831	-	1,831	1,831
Allowances and recreation	-	-	3,191	1,517	2,948	-	2,973	7,436	909	18,974	-	-	-	18,974
Communications	15,600	5,435	4,477	2,883	5,426	6,794	5,627	13,213	2,526	61,981	12,171	-	12,171	74,152
Contract services	72,043	59,690	7,550	2,991	11,182	146,122	87,432	18,093	7,267	412,370	87,784	-	87,784	500,154
Facility and office rent	67,604	13,979	-	-	-	18,403	-	-	-	99,986	35,400	-	35,400	135,386
Food	2,526	100	12,313	8,280	34,580	2,790	38,989	55,077	7,135	161,790	4,443	-	4,443	166,233
Household supplies	-	-	2,598	5,239	5,223	-	12,166	5,580	7,297	38,103	60	-	60	38,163
Insurance	5,461	2,427	2,445	3,051	3,961	1,530	7,906	15,741	3,682	46,204	37,929	-	37,929	84,133
Interest expense	-	-	-	-	-	-	-	17,776	479	18,255	687	7,587	8,274	26,529
Maintenance and equipment expense	8,028	2,675	19,962	3,158	13,124	3,060	32,239	29,228	5,469	116,943	10,761	4,071	14,832	131,775
Office supplies	9,794	432	23	32	2,641	731	7,822	6,829	83	28,387	16,363	-	16,363	44,750
Personal items and miscellaneous	-	74	525	2,070	290	8,250	2,318	25	1,370	14,922	22,350	-	22,350	37,272
Program supplies	3,723	242	1,020	17	501	2,716	-	4,090	17	12,326	-	-	-	12,326
Psychological and medical supplies	1,384	-	-	-	-	-	5,166	-	-	6,550	-	-	-	6,550
Travel expense	3,929	5,651	949	2,601	3,645	4,942	2,057	5,969	1,138	30,881	4,620	-	4,620	35,501
Seminars, workshops and dues	1,878	10,048	469	466	5,249	1,894	2,684	1,934	549	25,171	23,583	-	23,583	48,754
Utilities	-	-	5,624	9,242	11,796	-	21,041	18,859	5,778	72,340	4,350	2,369	6,719	79,059
Vehicle expense	-	-	3,628	5,778	2,907	-	2,237	13,110	2,637	30,297	2,164	-	2,164	32,461
Bad debt expense	3,216	-	-	-	-	-	5,952	105	-	9,273	-	-	-	9,273
Total expenses before depreciation	659,636	343,208	349,901	238,948	533,628	314,139	1,591,098	1,215,143	179,323	5,425,024	889,837	14,027	903,864	6,328,888
Depreciation	885	409	11,556	15,260	14,198	161	34,290	38,035	30,621	145,415	12,545	-	12,545	157,960
Total expenses	\$ 660,521	\$ 343,617	\$ 361,457	\$ 254,208	\$ 547,826	\$ 314,300	\$ 1,625,388	\$ 1,253,178	\$ 209,944	\$ 5,570,439	\$ 902,382	\$ 14,027	\$ 916,409	\$ 6,486,848

YOUTH FOCUS, INC.
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services									Support Services			Totals	
	Counseling	Family Preservation	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Family Services	Residential Treatment Center	Day Treatment Programs	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous		Total Support Services
Wages	\$ 452,243	\$ 281,623	\$ 244,873	\$ 164,937	\$ 255,552	\$ 73,371	\$ 1,064,660	\$ 771,991	\$ 105,942	\$ 3,415,192	\$ 532,954	\$ -	\$ 532,954	\$ 3,948,146
Payroll taxes	51,100	32,360	25,863	19,190	27,155	7,978	115,511	84,028	11,585	374,770	62,718	-	62,718	437,488
Employee benefits	60,500	52,287	45,939	18,487	48,399	8,717	149,895	141,525	18,247	543,996	67,413	-	67,413	611,409
Employee marketing	-	-	-	-	-	-	-	-	-	-	8,148	-	8,148	8,148
Allowances and recreation	-	-	3,247	900	3,449	-	3,564	7,515	633	19,308	48	-	48	19,356
Communications	18,877	5,749	3,815	2,571	4,794	1,713	4,707	7,714	2,093	52,033	10,019	-	10,019	62,052
Contract services	70,821	96,421	13,490	3,492	3,678	125,770	58,615	19,927	4,394	396,608	59,112	-	59,112	455,720
Facility and office rent	84,318	15,803	-	-	-	-	-	-	-	100,121	35,400	-	35,400	135,521
Food	2,545	-	11,598	6,502	30,796	609	53,720	39,658	6,054	151,482	-	-	-	151,482
Household supplies	-	-	2,279	4,796	3,717	-	12,935	2,838	8,220	34,785	130	-	130	34,915
Insurance	4,765	2,116	2,100	3,624	3,422	1,592	6,860	13,368	3,194	41,041	32,094	-	32,094	73,135
Interest expense	-	-	-	-	-	1,778	-	19,368	-	21,146	-	8,768	8,768	29,914
Maintenance and equipment expense	11,896	4,180	4,238	5,266	10,603	3,738	44,555	35,408	3,670	123,554	12,658	3,181	15,839	139,393
Office supplies	6,783	63	-	-	3,374	460	8,671	5,865	143	25,359	14,258	-	14,258	39,617
Personal items and miscellaneous	-	999	498	1,807	571	-	975	60	506	5,416	33,061	1,927	34,988	40,404
Program supplies	3,816	219	1,942	1,190	1,070	217	-	5,399	164	14,017	-	-	-	14,017
Psychological and medical supplies	388	-	-	-	-	-	6,153	-	-	6,541	-	-	-	6,541
Travel expense	4,059	9,886	226	4,896	4,182	1,011	1,872	3,028	1,443	30,603	4,175	-	4,175	34,778
Seminars, workshops and dues	2,812	4,804	243	56	4,408	829	2,951	4,838	499	21,440	14,339	-	14,339	35,779
Utilities	-	-	5,986	8,621	11,812	2,053	21,938	17,320	5,510	73,240	4,552	220	4,772	78,012
Vehicle expense	-	-	2,616	4,727	3,232	-	1,590	9,880	4,225	26,270	278	-	278	26,548
Bad debt expense	52,329	12,169	-	-	2,800	1,240	3,583	-	-	72,121	-	36,568	36,568	108,689
Total expenses before depreciation	827,252	518,679	368,953	251,062	423,014	231,076	1,562,755	1,189,730	176,522	5,549,043	891,357	50,664	942,021	6,491,064
Depreciation	604	222	12,127	15,327	13,731	262	33,112	37,036	27,193	139,614	12,297	-	12,297	151,911
Total expenses	\$ 827,856	\$ 518,901	\$ 381,080	\$ 266,389	\$ 436,745	\$ 231,338	\$ 1,595,867	\$ 1,226,766	\$ 203,715	\$ 5,688,657	\$ 903,654	\$ 50,664	\$ 954,318	\$ 6,642,975

YOUTH FOCUS, INC.
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ (148,643)	\$ (24,478)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	157,960	151,911
Gain on sale of equipment	(569)	-
Realized and unrealized (gain) loss from investments	33,239	(3,538)
Reinvested investment income, net	(20,919)	(4,842)
Forgiveness of debt	(10,500)	(39,085)
(Increase) decrease in:		
Receivables	74,829	563,751
Other assets	11,867	(8,094)
Increase (decrease) in:		
Accounts payable and accrued expenses	35,055	(187,367)
Net cash provided by operating activities	<u>132,319</u>	<u>448,258</u>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	(33,764)	(76,313)
Change in restricted cash	(1,369)	(1,316)
Proceeds from sale of investments	218,690	109,383
Proceeds from sale of property and equipment	1,500	-
Net cash provided by investing activities	<u>185,057</u>	<u>31,754</u>
Cash flows from financing activities:		
Payments on long-term debt	(57,604)	(43,844)
Net cash used in financing activities	<u>(57,604)</u>	<u>(43,844)</u>
Increase in cash and cash equivalents	259,772	436,168
Cash and cash equivalents - beginning	791,569	355,401
Cash and cash equivalents - ending	<u>\$ 1,051,341</u>	<u>\$ 791,569</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest	<u>\$ 26,529</u>	<u>\$ 29,914</u>
Supplemental disclosures of noncash investing and financing activities:		
Debt incurred for purchase of land, buildings, and equipment	<u>\$ 27,608</u>	<u>\$ 35,916</u>

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES

Youth Focus, Inc. (the "Agency") is a voluntary health and welfare organization established under the laws of the State of North Carolina for the purpose of providing comprehensive treatment services for troubled youth. These services include providing counseling programs, therapeutic foster care, and the operation of day treatment, transitional living and adolescent substance abuse programs, a residential treatment center, and emergency shelter care facilities. The Agency receives a significant portion of its funding from contracts with various agencies of the State of North Carolina and Guilford County, North Carolina, the loss of which could impact the Agency's ability to continue operating certain programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

For financial reporting purposes, the Agency classifies its net assets in three separate categories: unrestricted, temporarily restricted or permanently restricted. Each category is described below:

Unrestricted net assets - resources of the Agency that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

Temporarily restricted net assets - resources that carry a donor-imposed restriction that permits the Agency to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Agency. As those restrictions are met, the contributions are released from temporarily restricted net assets and are transferred to unrestricted net assets. Those resources for which the restrictions are met in the same fiscal year they are received are included in unrestricted net assets.

Permanently restricted net assets - resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Agency to use or expend part or all of the income derived from the donated assets. At year end, the Agency did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Agency considers all money market accounts and other accounts that have withdrawal restrictions of less than 90 days to be cash equivalents.

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

The Agency records all receivables at total unpaid balance net of an allowance for doubtful accounts. The Agency determines past due status of service-related receivables based on contractual terms and generally does not charge interest on past due amounts. The Agency estimates its allowance for doubtful accounts based on a combination of factors, including the Agency's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. Receivables that management believes to be ultimately not collectible are written off upon such determination. Subsequent collections of amounts written off are credited against the allowance account. The allowance for doubtful accounts as of June 30, **2016** and 2015 was **\$20,847** and \$28,901, respectively.

Investments

Investments in marketable debt securities and mutual funds are reported at fair value, which is determined by quoted market prices. Investments in long-term certificates of deposit are reported at face amount, which approximates fair value.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or at estimated fair value at date of donation in the case of donated assets. Amortization expense on equipment leased under a capital lease agreement is included in depreciation expense. Depreciation is determined by the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Contributions

The Agency reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions receivable are generally due in less than one year.

Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

It is the Agency's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2016 and 2015. Any changes in the amount of a tax position will be recognized in the period the change occurs.

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Financial Accounting Standards Board provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets at fair value as of June 30, 2016 and 2015:

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 166,433	\$ -	\$ -	\$ 166,433
Total assets at fair value	<u>\$ 166,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,433</u>
	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 186,547	\$ -	\$ -	\$ 186,547
Marketable debt securities, U.S. Government obligations	15,899	-	-	15,899
Long-term certificate of deposit	194,997	-	-	194,997
Total assets at fair value	<u>\$ 397,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,443</u>

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Agency has evaluated events and transactions for potential recognition or disclosure through August 16, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

A summary of the Agency's investments as of June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 166,433	\$ 186,547
Marketable debt securities, U.S. Government obligations	-	15,899
Long-term certificate of deposit	-	194,997
	<u>\$ 166,433</u>	<u>\$ 397,443</u>

Investment income (loss) for the years ended June 30, 2016 and 2015 consisted of the following components:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 23,698	\$ 7,695
Investment fees	(2,779)	(2,853)
Net realized and unrealized gain (loss)	(33,239)	3,538
	<u>\$ (12,320)</u>	<u>\$ 8,380</u>

NOTE 4 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 228,541	\$ 228,541
Buildings	3,414,378	3,414,378
Vehicles	296,805	275,536
Furniture and fixtures	448,848	423,083
Leasehold and building improvements	400,780	400,780
Computer equipment	22,724	22,724
Construction in progress	8,000	-
	<u>4,820,076</u>	<u>4,765,042</u>
Less accumulated depreciation	<u>1,947,110</u>	<u>1,794,557</u>
	<u>\$ 2,872,966</u>	<u>\$ 2,970,485</u>

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT

Long-term debt as of June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Mortgage payable with the North Carolina Housing Finance Agency, collateralized by land and buildings in Greensboro, North Carolina with a total carrying value of \$852,043 as of June 30, 2016. The outstanding balance on the note does not bear interest and is due in full on September 1, 2030. Additionally, the loan agreement calls for the Agency to maintain a reserve bank account for future repairs and replacements, which is listed as restricted cash on the statements of financial position at year end.	\$ 571,783	\$ 571,783
Mortgage payable to Wells Fargo Bank, due in monthly installments of \$2,565 including interest at 5.25% through June 15, 2021, collateralized by land and buildings on 510 Summit Ave. and 1601 Huffine Mill Rd., both in Greensboro, North Carolina with a total carrying value of \$221,262, as of June 30, 2016.	129,439	152,637
Mortgage payable to Wells Fargo Bank, due in monthly installments of \$2,873 including interest at 6.75% through December 28, 2027, collateralized by land and buildings in Greensboro, North Carolina with a total carrying value of \$420,612, as of June 30, 2016.	267,442	282,985
Note payable to Ford Credit, due in monthly installments of \$546 at 0% interest, through March 2018, collateralized by a vehicle with a carrying value of \$25,156 as of June 30, 2016.	11,457	18,004
Note payable to Redevelopment Commission of Greensboro, due in one lump sum at 0% interest, with payment due May 19, 2028. \$1,500 is forgiven each year provided there is no default. The note is collateralized by land in Greensboro, North Carolina with a carrying value of \$30,000, as of June 30, 2016.	19,500	30,000
Note payable to Ally Auto, due in monthly installments of \$629 at 4.24% interest, through December 2019, collateralized by a vehicle with a carrying value of \$24,829 as of June 30, 2016.	24,490	35,202
Note payable to Ally Auto, due in monthly installments of \$521 at 4.89% interest, through February 2021, collateralized by a vehicle with a carrying value of \$25,307 as of June 30, 2016.	26,004	-
	<u>1,050,115</u>	<u>1,090,611</u>
Less current maturities	59,658	53,131
Total long-term debt	<u>\$ 990,457</u>	<u>\$ 1,037,480</u>

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT (Continued)

Maturities of long-term debt during the years subsequent to June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 59,658
2018	61,055
2019	59,355
2020	58,919
2021	48,801
Thereafter	<u>762,327</u>
	<u>\$ 1,050,115</u>

NOTE 6 - LINE OF CREDIT

The Agency has a line of credit with a financial institution which it uses for cash flow needs related to daily operations. The line allows for a maximum borrowing amount of \$300,000. The outstanding balance carries an interest rate of prime plus 1.75% (3.50% at June 30, 2016). There were no outstanding balances on this line of credit at June 30, 2016 and 2015.

NOTE 7 - RENTAL EXPENSE AND LEASE COMMITMENTS

The Agency leases various group home facilities, office facilities, and office equipment under five renewable and noncancelable lease agreements. Monthly rentals under these agreements currently range from \$116 to \$3,312. In addition, the Agency leases office space under an operating lease with the City of Greensboro, which expires October 25, 2016. Monthly rentals under this lease agreement are \$4,294.

Rental expense under the above lease agreements totaled \$125,126 for the years ended June 30, 2016 and 2015.

Future minimum lease payments, by year and in the aggregate, under the noncancelable operating leases are due as follows:

<u>Year Ending June 30,</u>	
2017	\$ 60,006
2018	11,158
2019	<u>3,540</u>
Total minimum lease payments	<u>\$ 74,704</u>

Subsequent to year-end, the Agency entered into an office facility operating lease agreement. The lease is payable in monthly installments ranging from \$1,464 to \$3,231 through September 30, 2021.

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Agency has a noncontributory, defined contribution pension plan. Employer contributions under this plan amount to 6% of each participant's annual compensation. Employees are eligible for plan participation upon the attainment of age 21 and the completion of 2 consecutive years of service in which they worked a minimum of 1,000 hours in each year.

Employer contributions under this plan totaled **\$158,162** and \$178,232 for the years ended June 30, **2016** and 2015, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
United Way of High Point, fiscal year allocation	\$ 57,130	\$ 58,528
United Way of Greensboro, fiscal year allocation	107,596	116,635
	<u><u>\$ 164,726</u></u>	<u><u>\$ 175,163</u></u>

Net assets were released from donor restrictions during the years ended June 30, 2016 and 2015, by satisfying the restricted purposes, by incurring expenses, or by occurrence of other events specified by donors:

	<u>2016</u>	<u>2015</u>
Time restrictions expired, United Way of High Point	\$ 58,528	\$ 59,722
Time restrictions expired, United Way of Greensboro	116,635	117,975
	<u><u>\$ 175,163</u></u>	<u><u>\$ 177,697</u></u>

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The Agency maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

The Agency's investments potentially subject it to market risk and concentrations of credit risk. The Agency maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Agency's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Agency retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Agency invests.

SUPPLEMENTARY INFORMATION

YOUTH FOCUS, INC.

Statement of Revenues, Expenses, and Changes in Net Assets - By Program
Years Ended June 30, 2016 and 2015

June 30, 2016

	Program Services									Support Services			Totals	
	Counseling	Family Preservation	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Family Services	Residential Treatment Center	Day Treatment Programs	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous		Total Support Services
Total Revenues	\$ 675,704	\$ 296,584	\$ 313,466	\$ 326,024	\$ 702,651	\$ 272,275	\$ 1,897,402	\$ 1,580,046	\$ 269,408	\$ 6,333,560	\$ -	\$ 4,645	\$ 4,645	\$ 6,338,205
Expenses	660,521	343,617	361,457	254,208	547,826	314,300	1,625,388	1,253,178	209,944	5,570,439	902,382	14,027	916,409	6,486,848
Allocation of management and general	105,304	55,425	56,071	38,145	86,711	50,795	254,471	217,644	28,957	893,523	(893,523)	-	(893,523)	-
Total Expenses	765,825	399,042	417,528	292,353	634,537	365,095	1,879,859	1,470,822	238,901	6,463,962	8,859	14,027	22,886	6,486,848
Changes in Net Assets	\$ (90,121)	\$ (102,458)	\$ (104,062)	\$ 33,671	\$ 68,114	\$ (92,820)	\$ 17,543	\$ 109,224	\$ 30,507	\$ (130,402)	\$ (8,859)	\$ (9,382)	\$ (18,241)	\$ (148,643)

June 30, 2015

	Program Services									Support Services			Totals	
	Counseling	Family Preservation	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Family Services	Residential Treatment Center	Day Treatment Programs	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous		Total Support Services
Total Revenues	\$ 926,232	\$ 492,495	\$ 265,629	\$ 399,915	\$ 552,322	\$ 221,686	\$ 1,886,342	\$ 1,609,204	\$ 221,290	\$ 6,575,115	\$ -	\$ 43,382	\$ 43,382	\$ 6,618,497
Expenses	827,856	518,901	381,080	266,389	436,745	231,338	1,595,867	1,226,766	203,715	5,688,657	903,654	50,664	954,318	6,642,975
Allocation of management and general	85,343	67,401	72,735	54,067	82,239	14,062	276,491	203,949	34,913	891,200	(891,200)	-	(891,200)	-
Total Expenses	913,199	586,302	453,815	320,456	518,984	245,400	1,872,358	1,430,715	238,628	6,579,857	12,454	50,664	63,118	6,642,975
Changes in Net Assets	\$ 13,033	\$ (93,807)	\$ (188,186)	\$ 79,459	\$ 33,338	\$ (23,714)	\$ 13,984	\$ 178,489	\$ (17,338)	\$ (4,742)	\$ (12,454)	\$ (7,282)	\$ (19,736)	\$ (24,478)

YOUTH FOCUS, INC.

Schedule of Receipts and Expenditures of Federal and State Awards

Year Ended June 30, 2016

Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Federal Grantor's or Contract Number	Receipts	Expenditures
<u>Federal Awards:</u>				
U.S. Department of Health and Human Services:				
Direct awards:				
Runaway Youth Program (Basic Center Grant)	93.623	90-CY6643	\$ 200,000	\$ 200,000
Transitional Living for Homeless Youth and Maternity Group Homes Program	93.550	90-CX6904 90-CX6989	200,000 200,000	200,000 200,000
			<u>400,000</u>	<u>400,000</u>
Passed through N.C. Department of Social Services Community-Based Child Abuse Prevention Grant	93.590	49295	44,945	40,000
Passed through Guilford County Area MH, DD, SD Authority, Substance Abuse Cluster:				
Block Grant for Prevention and Treatment of Substance Abuse Cluster	93.959	120057-2	227,223	247,879
Community Based Program - Mental Health Services	93.959	120057-2	158,119	168,498
Total Block Grant for Prevention and Treatment of Substance Abuse Cluster			<u>385,342</u>	<u>416,377</u>
Passed through North Carolina Department of Agriculture Food & Nutrition Service:				
Child and Adult Care Food Program	10.558	9399	21,781	23,602
U.S. Department of Housing and Urban Development:				
Direct award, Supportive Housing Program	14.235	NC0059L4F041407	54,084	51,673
U.S. Department of Homeland Security:				
Direct award, Emergency Food and Shelter National Board Program	97.024	631600-044	2,500	2,500
Total Federal Awards			<u>1,108,652</u>	<u>1,134,152</u>
<u>State Awards:</u>				
North Carolina Department of Human Resources:				
Passed through Guilford County:				
Department of Juvenile Justice (DJJ) *	N/A	N/A	445,826	463,805
North Carolina Department of Health & Human Services:				
Division of Mental Health, Development Disabilities and Substance Abuse Services:				
Education in PRTF	N/A	N/A	87,480	87,480
Total State Awards			<u>533,306</u>	<u>551,285</u>
Total Federal and State Awards			<u>\$ 1,641,958</u>	<u>\$ 1,685,437</u>

* Programs having compliance requirements identified as having a direct and material effect on the Agency's financial statements.

YOUTH FOCUS, INC.

**Notes to the Schedule of Receipts and Expenditures of Federal and State Awards
Year Ended June 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of receipts and expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Youth Focus, Inc., under programs of the federal and N.C. State governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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 Focus, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youth Focus, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Youth Focus, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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
Youth Focus, Inc.
Greensboro, North Carolina

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 Focus, Inc. (the "Agency"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency'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 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 consider 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 the Agency's financial statements are free from 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
August 16, 2016

**Independent Auditor's Report on Compliance For
Each Major Program; on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Youth Focus, Inc.
Greensboro, North Carolina

Report on Compliance for The Major Federal Program

We have audited Youth Focus, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Youth Focus, Inc.'s major federal program for the year ended June 30, 2016. Youth Focus, Inc.'s major federal program is 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 Youth Focus, Inc.'s major federal program 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 Focus, 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Youth Focus, Inc.'s compliance.

Opinion on The Major Federal Program

In our opinion, Youth Focus, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Youth Focus, 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 Focus, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Focus, 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 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 consider 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 the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
August 16, 2016

YOUTH FOCUS, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Items required to be reported under 2 CFR section 200.515(d):

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|--------------------------------------|
| (i) Type of auditor's report issued: | Unmodified |
| (ii) Internal control over financial reporting: | |
| (a) Material weakness(es) identified? | _____ yes <u> X </u> no |
| (b) Significant deficiency(ies) identified? | _____ yes <u> X </u> none reported |
| (iii) Noncompliance material to financial statements noted? | _____ yes <u> X </u> no |

Federal Awards

- | | |
|--|--------------------------------------|
| (i) Internal control over major programs: | |
| (a) Material weakness(es) identified | _____ yes <u> X </u> no |
| (b) Significant deficiency(ies) identified? | _____ yes <u> X </u> none reported |
| (ii) Type of auditor's report issued on compliance for major programs: | Unmodified |
| (iii) Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | _____ yes <u> X </u> no |
| (iv) Identification of major programs: | |

CFDA Number(s)

93.959

Name of Federal Program

Substance Abuse Cluster:
 Block Grant for Prevention and Treatment of Substance Abuse
 Community Based Program -
 Mental Health Services

- | | |
|--|------------------------------|
| (v) Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| (vi) Auditee qualified as low-risk auditee? | <u> X </u> yes _____ no |

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:

Deficiencies

None

Section III - Findings and questioned costs relating to the major programs which are required to be reported as defined by the Uniform Guidance [2 CFR 200.516(a)]:

Findings and Questioned Costs

None

YOUTH FOCUS, INC.
Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2016

None