

YOUTH FOCUS, INC.
Officers and Board of Directors

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YOUTH FOCUS, INC.

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Other Matters

Other 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 also 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 September 14, 2018, 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
September 14, 2018

YOUTH FOCUS, INC.
Statements of Financial Position
June 30, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 692,146	\$ 492,831
Investments	603,480	584,328
Receivables:		
Governmental agencies	177,585	238,862
Contributions	157,711	159,466
Medicaid	375,385	333,001
Other, net	34,698	136,590
Other assets	150,574	86,649
Total Current Assets	<u>2,191,579</u>	<u>2,031,727</u>
Noncurrent Assets:		
Restricted cash	10,366	8,886
Land, buildings, and equipment, net	2,630,682	2,818,403
Total Assets	<u>\$ 4,832,627</u>	<u>\$ 4,859,016</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Current portion of long-term debt	\$ 59,355	\$ 61,055
Accounts payable and accrued expenses	212,041	211,528
Total Current Liabilities	<u>271,396</u>	<u>272,583</u>
Noncurrent Liabilities:		
Long-term debt	867,428	928,103
Total Liabilities	<u>1,138,824</u>	<u>1,200,686</u>
Net Assets:		
Unrestricted:		
Undesignated	298,706	92,941
Board designated:		
Land, buildings, and equipment	2,630,682	2,818,403
Indigent care fund	606,704	587,520
Total Unrestricted	<u>3,536,092</u>	<u>3,498,864</u>
Temporarily restricted	157,711	159,466
Total Net Assets	<u>3,693,803</u>	<u>3,658,330</u>
Total Liabilities and Net Assets	<u>\$ 4,832,627</u>	<u>\$ 4,859,016</u>

YOUTH FOCUS, INC.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Federal and state grants:						
Department of Juvenile Justice	\$ 421,492	\$ -	\$ 421,492	\$ 527,750	\$ -	\$ 527,750
Substance Abuse	406,234	-	406,234	503,819	-	503,819
Runaway Youth Program	200,000	-	200,000	200,000	-	200,000
My Sister Susan's House	196,045	-	196,045	200,000	-	200,000
Transitional Living Program	199,537	-	199,537	200,000	-	200,000
EC Classroom	86,616	-	86,616	92,292	-	92,292
CACFP	21,456	-	21,456	23,256	-	23,256
FEMA	5,000	-	5,000	5,000	-	5,000
Other	40,000	-	40,000	40,000	-	40,000
Medicaid	3,710,879	-	3,710,879	3,490,251	-	3,490,251
At Risk Clients	52,743	-	52,743	51,337	-	51,337
City of Greensboro	57,065	-	57,065	57,624	-	57,624
Guilford County Department of Social Services:						
Guilford County	491,163	-	491,163	516,833	-	516,833
Other	185,013	-	185,013	98,378	-	98,378
Guilford County:						
Community Based Organization Contract	7,000	-	7,000	-	-	-
Schools	143,061	-	143,061	143,061	-	143,061
Alamance County	22,623	-	22,623	26,580	-	26,580
United Way of Greensboro	-	100,938	100,938	-	100,938	100,938
United Way of High Point	-	56,773	56,773	-	58,528	58,528
Special events	142	-	142	-	-	-
Insurance and client billings	57,372	-	57,372	46,904	-	46,904
Other grants, contracts and revenue	14,089	-	14,089	20,788	-	20,788
Investment income	20,665	-	20,665	34,367	-	34,367
Gain on sale of property and equipment	117,478	-	117,478	-	-	-
Contributions	29,667	-	29,667	29,565	-	29,565
Total revenues	<u>6,485,340</u>	<u>157,711</u>	<u>6,643,051</u>	<u>6,307,805</u>	<u>159,466</u>	<u>6,467,271</u>
Net assets released from restrictions	<u>159,466</u>	<u>(159,466)</u>	<u>-</u>	<u>164,726</u>	<u>(164,726)</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>6,644,806</u>	<u>(1,755)</u>	<u>6,643,051</u>	<u>6,472,531</u>	<u>(5,260)</u>	<u>6,467,271</u>
Expenses:						
Program services	5,400,367	-	5,400,367	5,272,595	-	5,272,595
Support services	1,207,211	-	1,207,211	1,254,048	-	1,254,048
Total expenses	<u>6,607,578</u>	<u>-</u>	<u>6,607,578</u>	<u>6,526,643</u>	<u>-</u>	<u>6,526,643</u>
Changes in net assets	37,228	(1,755)	35,473	(54,112)	(5,260)	(59,372)
Net assets, beginning	3,498,864	159,466	3,658,330	3,552,976	164,726	3,717,702
Net assets, ending	<u>\$ 3,536,092</u>	<u>\$ 157,711</u>	<u>\$ 3,693,803</u>	<u>\$ 3,498,864</u>	<u>\$ 159,466</u>	<u>\$ 3,658,330</u>

See Notes to Financial Statements

YOUTH FOCUS, INC.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services															Support Services			Totals
	Counseling	Psychological Testing	Active Parenting	On Site Assessor	Substance Abuse and Prevention Program	Intensive In Home	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Foster Care	Psychiatric Residential Treatment Facility	Day Treatment Programs	Rites of Passage	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous	Total Support Services	
Wages	\$ 110,331	\$ 13,115	\$ 21,759	\$ 56,050	\$ 47,189	\$ 225,034	\$ 216,409	\$ 101,326	\$ 368,454	\$ 157,068	\$ 999,737	\$ 783,000	\$ 27,386	\$ 105,571	\$ 3,232,429	\$ 732,149	\$ -	\$ 732,149	\$ 3,964,578
Payroll taxes	10,459	1,092	1,931	4,925	4,345	21,010	22,314	10,864	38,927	13,745	97,025	76,353	2,002	11,218	316,210	65,461	-	65,461	381,671
Employee benefits	19,820	2,131	3,251	8,125	7,269	31,064	41,267	17,138	55,773	22,035	157,548	173,136	3,857	16,971	559,385	116,784	-	116,784	676,169
Employee marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,625	-	4,625	4,625
Allowances and recreation	-	-	-	-	-	-	4,560	1,537	3,007	-	7,576	12,724	-	2,361	31,765	-	-	-	31,765
Communications	5,371	564	1,097	580	290	4,340	2,885	3,797	4,480	3,396	6,356	11,921	19	3,205	48,301	17,190	-	17,190	65,491
Contract services	9,877	17,896	187	683	2,106	32,758	7,512	4,511	7,363	171,994	90,637	15,756	227	8,482	369,989	86,685	-	86,685	456,674
Facility and office rent	20,558	1,269	1,884	-	541	-	-	4,820	-	-	-	-	-	-	29,072	35,893	-	35,893	64,965
Food	-	-	5,619	-	-	4	10,333	5,247	43,852	4,206	46,301	63,644	-	8,336	187,542	5,631	-	5,631	193,173
Household supplies	11	-	-	-	-	149	2,882	4,741	6,464	83	6,254	9,422	-	8,182	38,188	48	-	48	38,236
Insurance	1,291	100	247	531	464	2,262	6,084	3,001	7,641	1,551	15,220	15,711	298	3,117	57,518	24,754	-	24,754	82,272
Interest expense	207	-	-	-	-	2,595	-	-	-	1,692	-	17,244	-	888	22,626	472	-	472	23,098
Maintenance and equipment expense	2,099	96	203	-	78	5,264	9,265	3,644	9,779	3,662	35,956	35,543	-	3,237	108,826	8,302	-	8,302	117,128
Office supplies	465	214	314	1	92	1,146	220	73	1,959	845	6,490	7,363	-	55	19,237	18,073	-	18,073	37,310
Personal items and miscellaneous	22	-	-	-	-	308	1,422	2,470	449	712	3,695	712	-	1,877	11,667	10,633	-	10,633	22,300
Program supplies	1,889	-	822	-	-	-	1,608	-	1,218	289	4,648	1,094	299	158	12,025	50	-	50	12,075
Psychological and medical supplies	-	1,656	-	-	-	-	-	-	-	-	-	-	-	-	1,656	-	-	-	1,656
Travel expense	830	141	307	51	1,470	5,905	3,656	1,117	4,935	8,320	1,987	7,531	325	264	36,839	7,655	-	7,655	44,494
Seminars and workshops	617	11	52	147	31	1,246	715	-	1,261	133	1,972	2,615	-	150	8,950	9,017	-	9,017	17,967
Dues and subscriptions	503	-	-	100	34	5	68	126	1,361	955	310	230	5	126	3,823	22,746	-	22,746	26,569
Utilities	365	-	-	-	-	2,858	7,475	11,972	12,827	2,016	23,873	19,396	-	5,896	86,678	625	-	625	87,303
Vehicle expense	-	-	-	-	-	-	7,166	4,379	3,039	-	2,781	16,365	-	5,557	39,287	5,390	-	5,390	44,677
Equipment expenses	51	-	-	-	-	552	9,968	1,546	2,823	1,321	5,997	2,678	-	2,662	27,598	5,335	-	5,335	32,933
Bank fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,549	-	-	22,549	22,549
Bad debt expense	-	17	-	149	-	-	-	-	-	79	1,432	1,350	-	-	3,027	-	-	-	3,027
Total expenses before depreciation	184,766	38,302	37,673	71,342	63,909	336,500	355,809	182,309	575,612	394,102	1,515,795	1,273,788	34,418	188,313	5,252,638	1,200,067	-	1,200,067	6,452,705
Depreciation	1,105	190	-	-	141	5,905	10,058	2,989	16,385	4,393	31,755	43,630	-	31,178	147,729	7,144	-	7,144	154,873
Total expenses	\$ 185,871	\$ 38,492	\$ 37,673	\$ 71,342	\$ 64,050	\$ 342,405	\$ 365,867	\$ 185,298	\$ 591,997	\$ 398,495	\$ 1,547,550	\$ 1,317,418	\$ 34,418	\$ 219,491	\$ 5,400,367	\$ 1,207,211	\$ -	\$ 1,207,211	\$ 6,607,578

YOUTH FOCUS, INC.
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services										Support Services			Totals	
	Counseling	Substance Abuse and Prevention Program	Intensive In Home	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Foster Care	Psychiatric Residential Treatment Facility	Day Treatment Programs	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous		Total Support Services
Wages	\$ 161,904	\$ 104,857	\$ 178,172	\$ 200,500	\$ 101,214	\$ 366,752	\$ 132,164	\$ 1,000,688	\$ 806,297	\$ 102,001	\$ 3,154,549	\$ 758,680	\$ -	\$ 758,680	\$ 3,913,229
Payroll taxes	16,567	10,188	16,958	23,368	11,254	39,590	11,682	104,115	78,716	11,403	323,841	67,613	-	67,613	391,454
Employee benefits	25,117	12,725	29,939	33,231	14,892	53,113	14,860	152,252	158,311	16,752	511,192	118,931	-	118,931	630,123
Employee marketing	-	-	-	-	-	-	-	-	-	-	-	4,883	-	4,883	4,883
Allowances and recreation	-	-	-	2,956	1,153	2,887	93	5,459	15,975	2,502	31,025	-	-	-	31,025
Communications	12,906	3,579	8,616	3,232	3,628	5,109	6,189	6,321	10,381	3,038	62,999	15,488	-	15,488	78,487
Contract services	38,994	4,170	25,904	8,451	3,236	7,060	135,350	92,190	18,892	3,773	338,020	97,038	-	97,038	435,058
Facility and office rent	33,939	2,545	7,762	-	-	-	5,202	-	-	-	49,448	38,020	-	38,020	87,468
Food	4,021	-	906	9,563	6,617	41,460	1,995	44,632	62,142	7,300	178,636	4,255	-	4,255	182,891
Household supplies	8	-	264	2,970	4,713	6,515	284	7,115	8,984	6,672	37,525	8	-	8	37,533
Insurance	2,709	767	1,701	5,209	3,011	6,012	1,482	13,416	15,851	3,272	53,430	27,443	-	27,443	80,873
Interest expense	203	-	1,519	-	-	-	1,519	-	18,691	1,160	23,092	2,151	2,250	4,401	27,493
Maintenance and equipment expense	2,739	351	5,244	8,443	3,028	13,639	5,004	25,563	33,639	6,147	103,797	9,712	225	9,937	113,734
Office supplies	3,525	-	1,230	36	50	1,826	1,166	6,639	7,477	38	21,987	17,802	-	17,802	39,789
Personal items and miscellaneous	4	-	64	1,255	1,987	1,051	1,088	2,943	308	2,397	11,097	19,240	-	19,240	30,337
Program supplies	752	35	147	2,205	25	29	463	5,280	5,577	265	14,778	512	-	512	15,290
Psychological and medical supplies	511	-	-	-	-	-	-	-	-	-	511	-	-	-	511
Travel expense	1,832	3,300	6,621	1,905	2,190	2,089	6,868	1,085	8,103	1,442	35,435	5,613	-	5,613	41,048
Seminars and workshops	2,460	65	689	63	133	333	1,494	850	3,619	133	9,839	4,288	-	4,288	14,127
Dues and subscriptions	1,850	200	60	90	45	2,724	935	846	1,109	45	7,904	12,946	-	12,946	20,850
Utilities	176	-	1,581	5,335	8,993	13,624	1,581	23,643	19,626	4,962	79,521	2,055	1,450	3,505	83,026
Vehicle expense	-	-	-	4,440	4,173	3,128	-	2,745	21,886	5,189	41,561	4,987	-	4,987	46,548
Loss on disposal of property and equipment	15	-	7	-	-	22	-	-	-	-	44	1,815	-	1,815	1,859
Equipment expenses	970	-	476	2,803	675	3,395	575	3,562	2,805	546	15,807	6,997	-	6,997	22,804
Bank fees	-	-	-	-	-	-	-	-	-	-	-	22,265	-	22,265	22,265
Bad debt expense	2,609	635	2,621	-	-	-	1,367	-	4,198	-	11,430	-	-	-	11,430
Total expenses before depreciation	313,811	143,417	290,481	316,055	171,017	570,358	331,361	1,499,344	1,302,587	179,037	5,117,468	1,242,742	3,925	1,246,667	6,364,135
Depreciation	1,368	141	5,075	9,809	11,084	15,203	3,718	34,179	43,506	31,044	155,127	7,381	-	7,381	162,508
Total expenses	\$ 315,179	\$ 143,558	\$ 295,556	\$ 325,864	\$ 182,101	\$ 585,561	\$ 335,079	\$ 1,533,523	\$ 1,346,093	\$ 210,081	\$ 5,272,595	\$ 1,250,123	\$ 3,925	\$ 1,254,048	\$ 6,526,643

YOUTH FOCUS, INC.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets	\$ 35,473	\$ (59,372)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	154,873	162,508
(Gain) loss on sale of equipment	(117,478)	1,859
Realized and unrealized (gain) loss from investments	(2,501)	(27,846)
Reinvested investment income, net	(18,164)	(6,521)
Forgiveness of debt	(1,500)	(1,500)
(Increase) decrease in:		
Receivables	122,540	(91,611)
Other assets	(63,925)	51,957
Increase (decrease) in:		
Accounts payable and accrued expenses	513	(33,771)
Net cash provided by (used in) operating activities	<u>109,831</u>	<u>(4,297)</u>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	(49,024)	(109,804)
Change in restricted cash	(1,480)	(1,424)
Purchase of investments	-	(383,528)
Proceeds from sale of investments	1,513	
Proceeds from sale of property and equipment	199,350	-
Net cash provided by (used in) investing activities	<u>150,359</u>	<u>(494,756)</u>
Cash flows from financing activities:		
Payments on long-term debt	(60,875)	(59,457)
Net cash used in financing activities	<u>(60,875)</u>	<u>(59,457)</u>
Increase (decrease) in cash and cash equivalents	199,315	(558,510)
Cash and cash equivalents - beginning	492,831	1,051,341
Cash and cash equivalents - ending	<u>\$ 692,146</u>	<u>\$ 492,831</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest	<u>\$ 23,098</u>	<u>\$ 27,493</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, 2018 and 2017 was \$15,138 and \$17,135, 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 2018 and 2017. 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

The 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; and
- 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, 2018 and 2018:

Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 603,480	\$ -	\$ -	\$ 603,480
Total assets at fair value	<u>\$ 603,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 603,480</u>
Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 584,328	\$ -	\$ -	\$ 584,328
Total assets at fair value	<u>\$ 584,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,328</u>

Subsequent Events

The Agency has evaluated events and transactions for potential recognition or disclosure through September 14, 2018, which is the date the financial statements were available to be issued.

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 3 - INVESTMENTS

A summary of the Agency's investments as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Mutual funds	<u>\$ 603,480</u>	<u>\$ 584,328</u>
	<u>\$ 603,480</u>	<u>\$ 584,328</u>

Investment income (loss) for the years ended June 30, 2018 and 2017 consisted of the following components:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 27,299	\$ 12,389
Investment fees	(9,135)	(5,868)
Net realized and unrealized gain	2,501	27,846
	<u>\$ 20,665</u>	<u>\$ 34,367</u>

NOTE 4 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 223,541	\$ 228,541
Buildings	3,331,257	3,409,108
Vehicles	333,429	333,429
Furniture and fixtures	406,624	395,002
Leasehold and building improvements	306,505	435,014
Computer equipment	60,721	53,750
	<u>4,662,077</u>	<u>4,854,844</u>
Less accumulated depreciation	<u>2,031,395</u>	<u>2,036,441</u>
	<u>\$ 2,630,682</u>	<u>\$ 2,818,403</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt as of June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</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 \$803,209 as of June 30, 2018. 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.	\$ 571,782	\$ 571,782

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>2018</u>	<u>2017</u>
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 at 510 Summit Ave. and 1601 Huffine Mill Rd., both in Greensboro, North Carolina with a total carrying value of \$202,911, as of June 30, 2018.	\$ 79,138	\$ 104,956
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 \$395,579, as of June 30, 2018.	232,880	250,751
Note payable to Ford Credit, due in monthly installments of \$546 at 0% interest, was paid off in full in March 2018.	-	4,911
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, 2018.	16,500	18,000
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 \$7,785 as of June 30, 2018.	10,926	17,842
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 \$14,264 as of June 30, 2018.	15,557	20,916
	<u>926,783</u>	<u>989,158</u>
Less current maturities	59,355	61,055
Total long-term debt	<u>\$ 867,428</u>	<u>\$ 928,103</u>

Maturities of long-term debt during the years subsequent to June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 59,355
2020	58,919
2021	49,026
2022	23,487
2023	25,122
Thereafter	710,874
	<u>\$ 926,783</u>

YOUTH FOCUS, INC.
Notes to Financial Statements

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% (6.75% at June 30, 2018). There were no outstanding balances on this line of credit at June 30, 2018 and 2017.

NOTE 7 - RENTAL EXPENSE AND LEASE COMMITMENTS

The Agency leases various group home facilities, office facilities, and office equipment under six renewable and noncancelable lease agreements. Monthly rentals under these agreements currently range from \$116 to \$3,000.

Rental expense under the above lease agreements totaled \$57,720 and \$82,164 for the years ended June 30, 2018 and 2017.

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>	
2019	\$ 68,670
2020	66,492
2021	67,887
2022	27,638
2023	3,135
Total minimum lease payments	<u>\$ 233,822</u>

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 \$150,479 and \$152,161 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
United Way of High Point, fiscal year allocation	\$ 56,773	\$ 58,528
United Way of Greensboro, fiscal year allocation	100,938	100,938
	<u>\$ 157,711</u>	<u>\$ 159,466</u>

YOUTH FOCUS, INC.
Notes to Financial Statements

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017, by satisfying the restricted purposes, by incurring expenses, or by occurrence of other events specified by donors:

	<u>2018</u>	<u>2017</u>
Time restrictions expired, United Way of High Point	\$ 58,528	\$ 57,130
Time restrictions expired, United Way of Greensboro	<u>100,938</u>	<u>107,596</u>
	<u>\$ 159,466</u>	<u>\$ 164,726</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.

NOTE 11 - ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This update is effective for fiscal periods beginning after December 15, 2017. Subsequently, FASB issued Accounting Standards Update 2015-14, which deferred the effective date until December 15, 2018. The purpose of this update is to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts fall under the scope of a different guidance. Youth Focus is working to determine how the adoption of this accounting standard will impact their accounting treatment of their contracted services.

NOTE 11 - ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This update is effective for fiscal periods beginning after December 15, 2019 for nonpublic entities. Under the new standard, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The standard will apply to both types of leases, capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United States of America have required only capital leases to be recognized on lessee balance sheets. As under current accounting standards, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. Lessor accounting under the new standard will remain similar to lessor accounting under current accounting standards.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958). This update is effective for fiscal periods beginning after December 15, 2017. Under the new standard, there will be two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) instead of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted). The new standard requires all not-for-profit entities to provide expenses and an analysis of expenses by both nature and function, and disclosure of the methods used to allocate those expenses among the various functions. ASU 2016-14 requires qualitative disclosure about how liquidity is managed including dates to meet the cash needs for the upcoming year. Investment returns will be presented net of all related external and direct internal expenses and the existing disclosure of the netted amounts is no longer required. The standard continues to allow not-for-profit entities to present the net amount of operating cash flows using either the direct or indirect method of reporting, while no longer requiring the indirect reconciliation if the direct method is used.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958). This update is effective for fiscal periods beginning after December 15, 2018 for entities serving as the resource recipient. Under the new standard, not-for-profit entities would analyze the characteristics of grants and similar contracts ("agreements") to determine whether the agreement should be accounted for as a contribution or an exchange transaction. If the agreement is accounted for as a contribution, the entity must determine if there are any conditions associated with the agreement to determine if the contribution can be recognized as revenue. If the agreement is accounted for as an exchange transaction, the entity must apply a specific process to determine when and how much revenue to recognize. That process would include identifying performance obligations, determining the transaction price, allocating the transaction price to the performance obligations and recognizing revenue when each performance obligation is satisfied. ASU 2018-08 also requires additional disclosures on the entity revenue recognition policy.

SUPPLEMENTARY INFORMATION

YOUTH FOCUS, INC.
 Statements of Revenues, Expenses, and Changes in Net Assets - By Program
 Years Ended June 30, 2018 and 2017

		June 30, 2018																		
		Program Services												Support Services						
		Counseling	Psychological Testing	Active Parenting	On Site Assessor	Substance Abuse and Prevention Program	Intensive In Home	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Foster Care	Psychiatric Residential Treatment Facility	Day Treatment Programs	Rites of Passage	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous	Total Support Services	Totals
Total Revenues		\$ 219,335	\$ 40,384	\$ 43,438	\$ 73,638	\$ 81,046	\$ 416,804	\$ 403,441	\$ 399,580	\$ 736,187	\$ 315,372	\$ 1,943,873	\$ 1,555,583	\$ 34,798	\$ 345,348	\$ 6,608,827	\$ -	\$ 34,224	\$ 34,224	\$ 6,643,051
Expenses		185,871	38,492	37,673	71,342	64,050	342,405	365,867	185,298	591,997	398,495	1,547,550	1,317,418	34,418	219,491	5,400,367	1,207,211	-	1,207,211	6,607,578
Allocation of management and general		41,059	8,503	8,322	15,760	14,149	75,638	80,821	40,932	130,773	88,029	341,857	305,283	7,603	48,486	1,207,215	(1,207,215)	-	(1,207,215)	-
Total Expenses		226,930	46,995	45,995	87,102	78,199	418,043	446,688	226,230	722,770	486,524	1,889,407	1,622,701	42,021	267,977	6,607,582	(4)	-	(4)	6,607,578
Changes in Net Assets		\$ (7,595)	\$ (6,611)	\$ (2,557)	\$ (13,464)	\$ 2,847	\$ (1,239)	\$ (43,247)	\$ 173,350	\$ 13,417	\$ (171,152)	\$ 54,466	\$ (67,118)	\$ (7,223)	\$ 77,371	\$ 1,245	\$ 4	\$ 34,224	\$ 34,228	\$ 35,473
		June 30, 2017																		
		Program Services												Support Services						
		Counseling	Psychological Testing	Active Parenting	On Site Assessor	Substance Abuse and Prevention Program	Intensive In Home	Adolescent Substance Abuse Program - Residential	Transitional Living Program	Emergency Shelter	Therapeutic Foster Care	Psychiatric Residential Treatment Facility	Day Treatment Programs	Rites of Passage	My Sister Susan's House	Total Program Services	Management and General	Miscellaneous	Total Support Services	Totals
Total Revenues		\$ 378,868	\$ -	\$ -	\$ -	\$ 170,508	\$ 285,573	\$ 477,474	\$ 309,631	\$ 749,799	\$ 241,081	\$ 1,893,009	\$ 1,593,975	\$ -	\$ 314,235	\$ 6,414,153	\$ -	\$ 53,118	\$ 53,118	\$ 6,467,271
Expenses		315,179	-	-	-	143,558	295,556	325,864	182,101	585,561	335,079	1,533,523	1,346,093	-	210,081	5,272,595	1,250,123	3,925	1,254,048	6,526,643
Allocation of management and general		74,287	-	-	-	33,836	69,662	76,805	42,921	138,015	78,978	361,448	317,272	-	49,516	1,242,740	(1,242,740)	-	(1,242,740)	-
Total Expenses		389,466	-	-	-	177,394	365,218	402,669	225,022	723,576	414,057	1,894,971	1,663,365	-	259,597	6,515,335	7,383	3,925	11,308	6,526,643
Changes in Net Assets		\$ (10,598)	\$ -	\$ -	\$ -	\$ (6,886)	\$ (79,645)	\$ 74,805	\$ 84,609	\$ 26,223	\$ (172,976)	\$ (1,962)	\$ (69,390)	\$ -	\$ 54,638	\$ (101,182)	\$ (7,383)	\$ 49,193	\$ 41,810	\$ (59,372)

YOUTH FOCUS, INC.

**Schedule of Receipts and Expenditures of Federal and State Awards
Year Ended June 30, 2018**

Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Federal Grantor's or Contract Number	Receipts	Expenditures
Federal Awards:				
U.S. Department of Health and Human Services:				
Direct awards:				
Runaway Youth Program (Basic Center Grant)	93.623	90-CY6643	\$ 183,333	\$ 200,000
Transitional Living for Homeless Youth and Maternity Group Homes Program	93.550	90-CX6904 90-CX6989	183,102 179,817	199,537 196,045
			<u>362,919</u>	<u>395,582</u>
Passed through N.C. Department of Social Services Community-Based Child Abuse Prevention Grant	93.590	49295	36,314	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	320,640	327,255
Community Based Program - Mental Health Services	93.959	120057-2	78,979	78,979
Total Block Grant for Prevention and Treatment of Substance Abuse Cluster			<u>399,619</u>	<u>406,234</u>
Passed through North Carolina Department of Agriculture Food & Nutrition Service:				
Child and Adult Care Food Program	10.558	9399	23,216	23,216
U.S. Department of Homeland Security:				
Direct award, Emergency Food and Shelter National Board Program	97.024	631600-044	5,000	5,000
Total Federal Awards			<u>1,010,401</u>	<u>1,070,032</u>
State Awards:				
North Carolina Department of Human Resources:				
Passed through Guilford County:				
Department of Juvenile Justice (DJJ) *	N/A	N/A	530,431	436,968
North Carolina Department of Health & Human Services:				
Passed through Cardinal Innovations:				
CASP Child-SAL	N/A	N/A	89,136	-
North Carolina Department of Health & Human Services:				
Division of Social Services				
State Maternity Home Funds	N/A	N/A	8,563	8,563
North Carolina Department of Health & Human Services:				
Division of Mental Health, Development Disabilities and Substance Abuse Services:				
Education in PRTF	N/A	N/A	86,616	86,616
Total State Awards			<u>714,746</u>	<u>532,147</u>
Total Federal and State Awards			<u>\$ 1,725,147</u>	<u>\$ 1,602,179</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, 2018**

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, 2018. 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.

Bernard Robinson & Company, L.L.P.

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, 2018, 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 September 14, 2018.

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
September 14, 2018



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

To the Board of Directors
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, 2018. 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, 2018.

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
September 14, 2018

YOUTH FOCUS, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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, 2018

None