

YOUTH FOCUS, INC.

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

YEARS ENDED JUNE 30, 2015 AND 2014



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# YOUTH FOCUS, INC.

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## **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, 2015 and 2014, 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, 2015 and 2014, 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 audits 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 2, 2015, 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 2, 2015

**YOUTH FOCUS, INC.**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 791,569	\$ 355,401
Investments	397,443	498,446
Receivables:		
Governmental agencies	136,111	161,289
Contributions	175,163	177,698
Medicaid	441,261	996,126
Other, net	98,602	79,775
Other assets	150,473	142,379
Total Current Assets	<u>2,190,622</u>	<u>2,411,114</u>
Noncurrent Assets:		
Restricted cash	6,093	4,777
Land, buildings, and equipment, net	2,970,485	3,010,167
Total Assets	<u>\$ 5,167,200</u>	<u>\$ 5,426,058</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Current portion of long-term debt	\$ 53,131	\$ 82,454
Accounts payable and accrued expenses	210,244	397,611
Total Current Liabilities	<u>263,375</u>	<u>480,065</u>
Noncurrent Liabilities:		
Long-term debt	1,037,480	1,055,170
Total Liabilities	<u>1,300,855</u>	<u>1,535,235</u>
Net Assets:		
Unrestricted:		
Undesignated	152,432	141,758
Board designated:		
Land, buildings, and equipment	2,970,485	3,010,167
Indigent care fund	568,265	561,201
Total Unrestricted	<u>3,691,182</u>	<u>3,713,126</u>
Temporarily restricted	175,163	177,697
Total Net Assets	<u>3,866,345</u>	<u>3,890,823</u>
Total Liabilities and Net Assets	<u>\$ 5,167,200</u>	<u>\$ 5,426,058</u>

**YOUTH FOCUS, INC.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Federal and state grants:						
Department of Juvenile Justice	\$ 747,593	\$ -	\$ 747,593	\$ 719,209	\$ -	\$ 719,209
Substance Abuse	386,925	-	386,925	390,377	-	390,377
Runaway Youth Program	196,790	-	196,790	190,373	-	190,373
My Sister Susan's House	196,790	-	196,790	190,370	-	190,370
Transitional Living Program	203,330	-	203,330	186,115	-	186,115
Housing and Urban Development	49,860	-	49,860	48,219	-	48,219
Other	30,000	-	30,000	30,000	-	30,000
Medicaid	3,632,168	-	3,632,168	4,102,528	-	4,102,528
At Risk Clients	48,865	-	48,865	31,242	-	31,242
City of Greensboro	66,827	-	66,827	66,828	-	66,828
Guilford County Department of Social Services:						
Other	238,757	-	238,757	120,986	-	120,986
Guilford County:						
Community Based Organization Contract	64,225	-	64,225	83,848	-	83,848
Schools	205,829	-	205,829	205,751	-	205,751
Alamance County	29,546	-	29,546	49,449	-	49,449
EC Classroom	70,971	-	70,971	-	-	-
United Way of Greensboro	-	116,635	116,635	-	117,975	117,975
United Way of High Point	-	58,528	58,528	-	59,722	59,722
Special events	12,348	-	12,348	5,375	-	5,375
Insurance and client billings	108,342	-	108,342	90,034	-	90,034
Other grants, contracts and revenue	119,646	-	119,646	234,350	-	234,350
Investment income	8,380	-	8,380	33,348	-	33,348
Contributions	26,142	-	26,142	16,926	-	16,926
Loss on sale of equipment	-	-	-	(267)	-	(267)
Total revenues	<u>6,443,334</u>	<u>175,163</u>	<u>6,618,497</u>	<u>6,795,061</u>	<u>177,697</u>	<u>6,972,758</u>
Net assets released from restrictions	177,697	(177,697)	-	178,952	(178,952)	-
Total revenues and net assets released from restrictions	<u>6,621,031</u>	<u>(2,534)</u>	<u>6,618,497</u>	<u>6,974,013</u>	<u>(1,255)</u>	<u>6,972,758</u>
Expenses:						
Program services	5,688,659	-	5,688,659	6,201,175	-	6,201,175
Support services	954,316	-	954,316	929,137	-	929,137
Total expenses	<u>6,642,975</u>	<u>-</u>	<u>6,642,975</u>	<u>7,130,312</u>	<u>-</u>	<u>7,130,312</u>
Changes in net assets	(21,944)	(2,534)	(24,478)	(156,299)	(1,255)	(157,554)
Net assets, beginning	3,713,126	177,697	3,890,823	3,869,425	178,952	4,048,377
Net assets, ending	<u>\$ 3,691,182</u>	<u>\$ 175,163</u>	<u>\$ 3,866,345</u>	<u>\$ 3,713,126</u>	<u>\$ 177,697</u>	<u>\$ 3,890,823</u>

See Notes to Financial Statements

**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	3,680	125,770	58,615	19,927	4,394	396,610	59,112	-	59,112	455,722
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	33,059	1,927	34,986	40,402
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	423,016	231,076	1,562,755	1,189,730	176,522	5,549,045	891,355	50,664	942,019	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	\$ 436,747	\$ 231,338	\$ 1,595,867	\$ 1,226,766	\$ 203,715	\$ 5,688,659	\$ 903,652	\$ 50,664	\$ 954,316	\$ 6,642,975

**YOUTH FOCUS, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**

	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	\$ 665,132	\$ 331,087	\$ 226,844	\$ 154,827	\$ 240,337	\$ 90,530	\$ 1,079,486	\$ 883,995	\$ 107,511	\$ 3,779,749	\$ 473,076	\$ -	\$ 473,076	\$ 4,252,825
Payroll taxes	67,401	35,357	23,912	18,286	26,001	9,491	116,686	93,345	11,689	402,168	56,387	458	56,845	459,013
Employee benefits	87,567	56,418	43,405	23,147	45,196	9,178	147,763	161,499	16,060	590,233	69,503	1,098	70,601	660,834
Employee marketing	-	-	-	-	-	-	-	-	-	-	15,696	-	15,696	15,696
Allowances and recreation	-	-	3,262	738	2,931	-	3,841	10,271	1,026	22,069	-	-	-	22,069
Communications	16,907	5,683	5,585	2,341	4,385	1,725	5,856	7,371	2,078	51,931	9,412	-	9,412	61,343
Contract services	50,226	134,578	14,775	3,391	7,178	147,255	40,320	13,251	9,288	420,262	65,398	-	65,398	485,660
Facility and office rent	82,569	17,180	-	-	-	-	-	-	-	99,749	35,400	-	35,400	135,149
Food	1,740	-	10,980	5,888	24,144	1,343	42,669	46,308	9,473	142,545	-	-	-	142,545
Household supplies	-	-	2,313	5,379	4,117	92	12,523	4,920	7,310	36,654	155	-	155	36,809
Insurance	5,559	2,471	2,246	3,458	3,804	1,863	7,818	15,060	3,649	45,928	34,265	-	34,265	80,193
Interest expense	-	-	63	41	678	1,864	-	19,690	-	22,336	838	9,907	10,745	33,081
Maintenance and equipment expense	13,907	3,244	9,447	11,423	19,695	4,039	28,942	45,232	6,846	142,775	11,696	985	12,681	155,456
Office supplies	7,460	14	-	-	1,570	805	6,062	11,436	155	27,502	16,363	-	16,363	43,865
Personal items and miscellaneous	9	626	658	1,186	507	100	1,540	332	1,231	6,189	18,691	-	18,691	24,880
Program supplies	3,314	58	1,225	1,791	849	917	-	9,140	50	17,344	-	-	-	17,344
Psychological and medical supplies	559	-	-	-	-	-	5,506	-	-	6,065	-	-	-	6,065
Travel expense	6,895	8,984	315	1,429	1,157	1,844	2,034	4,247	562	27,467	5,775	-	5,775	33,242
Seminars, workshops and dues	6,104	4,815	1,293	56	5,622	3,867	2,092	3,170	976	27,995	11,275	150	11,425	39,420
Utilities	-	-	7,045	8,342	11,039	1,828	21,256	17,904	6,544	73,958	4,648	-	4,648	78,606
Vehicle expense	-	-	8,718	4,403	4,376	-	3,408	18,178	7,001	46,084	475	-	475	46,559
Bad debt expense	46,960	6,505	-	-	1,816	1,397	-	13,997	-	70,675	75,026	-	75,026	145,701
Total expenses before depreciation	1,062,309	607,020	362,086	246,126	405,402	278,138	1,527,802	1,379,346	191,449	6,059,678	904,079	12,598	916,677	6,976,355
Depreciation	530	88	15,820	15,810	14,046	1,099	35,522	30,426	28,156	141,497	12,460	-	12,460	153,957
Total expenses	\$ 1,062,839	\$ 607,108	\$ 377,906	\$ 261,936	\$ 419,448	\$ 279,237	\$ 1,563,324	\$ 1,409,772	\$ 219,605	\$ 6,201,175	\$ 916,539	\$ 12,598	\$ 929,137	\$ 7,130,312

**YOUTH FOCUS, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets	\$ (24,478)	\$ (157,554)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	151,911	153,957
Loss on sale of equipment	-	267
Realized and unrealized gain from investments	(3,538)	(20,629)
Reinvested investment income, net	(4,842)	(12,719)
Forgiveness of debt	(39,085)	-
(Increase) decrease in:		
Receivables	563,751	(373,733)
Other assets	(8,094)	(15,044)
Increase (decrease) in:		
Accounts payable and accrued expenses	(187,367)	88,441
Net cash provided by (used in) operating activities	<u>448,258</u>	<u>(337,014)</u>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	(76,313)	(13,772)
Change in restricted cash	(1,316)	1,880
Proceeds from sale of investments	109,383	-
Transfer of Big Brothers Big Sisters endowment	-	36,255
Net cash provided by investing activities	<u>31,754</u>	<u>24,363</u>
Cash flows from financing activities:		
Payments on long-term debt	(43,844)	(161,381)
Net cash used in financing activities	<u>(43,844)</u>	<u>(161,381)</u>
Increase (decrease) in cash and cash equivalents	436,168	(474,032)
Cash and cash equivalents - beginning	355,401	829,433
Cash and cash equivalents - ending	<u>\$ 791,569</u>	<u>\$ 355,401</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest	<u>\$ 29,914</u>	<u>\$ 33,081</u>
Supplemental disclosures of noncash investing and financing activities:		
Debt incurred for purchase of land, buildings, and equipment	<u>\$ 35,916</u>	<u>\$ 32,734</u>

**YOUTH FOCUS, INC.**  
**Notes to Financial Statements**

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**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**

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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, **2015** and 2014 was **\$28,901** and \$66,660, 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 2015 and 2014. 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**

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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, 2015 and 2014:

	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>

	Assets at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 180,085	\$ -	\$ -	\$ 180,085
Marketable debt securities, U.S. Government obligations	16,908	-	-	16,908
Long-term certificate of deposit	301,453	-	-	301,453
Total assets at fair value	<u>\$ 498,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,446</u>

**YOUTH FOCUS, INC.**  
**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Subsequent Events**

The Agency has evaluated events and transactions for potential recognition or disclosure through September 2, 2015, 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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Mutual funds	\$ 186,547	\$ 180,085
Marketable debt securities, U.S. Government obligations	15,899	16,908
Long-term certificate of deposit	194,997	301,453
	<u>\$ 397,443</u>	<u>\$ 498,446</u>

Investment income for the years ended June 30, 2015 and 2014 consisted of the following components:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 7,695	\$ 15,343
Investment fees	(2,853)	(2,624)
Net realized and unrealized gains	3,538	20,629
	<u>\$ 8,380</u>	<u>\$ 33,348</u>

NOTE 4 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 228,541	\$ 228,541
Buildings	3,414,378	3,414,378
Vehicles	275,536	235,273
Furniture and fixtures	423,083	398,698
Leasehold and building improvements	400,780	376,973
Computer equipment	22,724	-
	<u>4,765,042</u>	<u>4,653,863</u>
Less accumulated depreciation	1,794,557	1,643,696
	<u>\$ 2,970,485</u>	<u>\$ 3,010,167</u>

**YOUTH FOCUS, INC.**  
**Notes to Financial Statements**

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NOTE 5 - LONG-TERM DEBT

Long-term debt as of June 30, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</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 \$876,460 as of June 30, 2015. 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 \$228,057, as of June 30, 2015.	152,637	174,653
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 \$433,128, as of June 30, 2015.	282,985	297,552
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 \$28,930 as of June 30, 2015.	18,004	24,551
Note payable to Redevelopment Commission of Greensboro, due in one lump sum at 0% interest, with payment due May 19, 2028. The note is collateralized by land in Greensboro, North Carolina with a carrying value of \$30,000, as of June 30, 2015.	30,000	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 \$32,881 as of June 30, 2015.	35,202	-
Debt forgiven during 2015	-	39,085
	<u>1,090,611</u>	<u>1,137,624</u>
Less current maturities	53,131	82,454
Total long-term debt	<u>\$ 1,037,480</u>	<u>\$ 1,055,170</u>

**YOUTH FOCUS, INC.**  
**Notes to Financial Statements**

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NOTE 5 - LONG-TERM DEBT (Continued)

Maturities of long-term debt during the years subsequent to June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 53,131
2017	55,478
2018	56,333
2019	54,067
2020	54,328
Thereafter	817,274
	<u>\$ 1,090,611</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% (3.25% at June 30, 2015). There were no outstanding balances on this line of credit at June 30, 2015 and 2014.

NOTE 7 - RENTAL EXPENSE AND LEASE COMMITMENTS

The Agency leases various group home facilities, office facilities, parking space, and office equipment under seven renewable and noncancelable lease agreements. Monthly rentals under these agreements currently range from \$116 to \$3,247. In addition, the Agency leases office space under an operating lease with the City of Greensboro, which expires October 24, 2015. Monthly rentals under this lease agreement are \$4,294.

Rental expense under the above lease agreements totaled **\$125,126** and \$123,887 for the years ended June 30, **2015** and 2014, respectively.

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>	
2016	\$ 76,536
2017	31,029
2018	11,158
2019	3,012
Total minimum lease payments	<u>\$ 121,735</u>

**YOUTH FOCUS, INC.**  
**Notes to Financial Statements**

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**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 approximately **\$178,232** and \$198,775 for the years ended June 30, **2015** and 2014, respectively.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
United Way of High Point, fiscal year allocation	\$ <b>58,528</b>	\$ 59,722
United Way of Greensboro, fiscal year allocation	<b>116,635</b>	117,975
	<u><u>\$ <b>175,163</b></u></u>	<u><u>\$ 177,697</u></u>

Net assets were released from donor restrictions during the years ended June 30, 2015 and 2014 by satisfying the restricted purposes, by incurring expenses or by occurrence of other events specified by donors:

	<u>2015</u>	<u>2014</u>
Time restrictions expired, United Way of High Point	\$ <b>59,722</b>	\$ 59,785
Time restrictions expired, United Way of Greensboro	<b>117,975</b>	119,167
	<u><u>\$ <b>177,697</b></u></u>	<u><u>\$ 178,952</u></u>

**NOTE 10 - BOARD DESIGNATED ENDOWMENT**

In prior years, the Board designated a portion of unrestricted net assets as an endowment to provide income to the Agency for a long but unspecified period. The funds were invested through the Community Foundation of Greater Greensboro, Inc. and consisted primarily of equity and fixed income investments. The Agency adopted a prudent investment policy whose objectives and spending policies are to preserve principal by establishing an annual "Target Payout Percentage" based on the fair market value of the endowment at certain designated dates. The endowment agreement included a provision under the Uniform Management of Institutional Funds Act ("UMIFA") where payouts that caused the value of the endowment to fall below donor basis were not allowed. However, UMIFA was replaced by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and adopted by North Carolina in May 2009. This State Prudent Management of Institutional Funds Act ("SPMIFA") allows for such payouts if conducted under a prudent investment policy and does not restrict payouts from endowments that are not donor restricted. The Board determined that under SPMIFA, there are no restrictions for payouts related to the preservation of principal in the endowment fund.

**YOUTH FOCUS, INC.**  
**Notes to Financial Statements**

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NOTE 10 - BOARD DESIGNATED ENDOWMENT (Continued)

During the year ended June 30, 2014, the program funded by this endowment was transferred to another not-for-profit organization, and the endowment was transferred as well.

The following is a reconciliation of the board designated endowment fund beginning and ending balances:

	Year Ended June 30:	
	2015	2014
Beginning balance	\$ -	\$ 36,254
Interest and dividends	-	15,343
Investment fees	-	(2,624)
Net realized and unrealized gains	-	20,629
Transferred to another not-for-profit organization	-	(69,602)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 - 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, 2015 and 2014

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	436,747	231,338	1,595,867	1,226,766	203,715	5,688,659	903,652	50,664	954,316	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	518,986	245,400	1,872,358	1,430,715	238,628	6,579,859	12,452	50,664	63,116	6,642,975
Changes in Net Assets	\$ 13,033	\$ (93,807)	\$ (188,186)	\$ 79,459	\$ 33,336	\$ (23,714)	\$ 13,984	\$ 178,489	\$ (17,338)	\$ (4,744)	\$ (12,452)	\$ (7,282)	\$ (19,734)	\$ (24,478)

June 30, 2014

	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	\$ 1,082,206	\$ 642,090	\$ 247,879	\$ 346,343	\$ 491,867	\$ 218,578	\$ 1,836,705	\$ 1,807,309	\$ 229,238	\$ 6,902,215	\$ -	\$ 70,543	\$ 70,543	\$ 6,972,758
Expenses	1,062,839	607,108	377,906	261,936	419,448	279,237	1,563,324	1,409,772	219,605	6,201,175	916,539	12,598	929,137	7,130,312
Allocation of management and general	105,606	60,795	62,849	45,038	70,213	11,913	234,473	211,469	28,665	831,021	(831,021)	-	(831,021)	-
Total Expenses	1,168,445	667,903	440,755	306,974	489,661	291,150	1,797,797	1,621,241	248,270	7,032,196	85,518	12,598	98,116	7,130,312
Changes in Net Assets	\$ (86,239)	\$ (25,813)	\$ (192,876)	\$ 39,369	\$ 2,206	\$ (72,572)	\$ 38,908	\$ 186,068	\$ (19,032)	\$ (129,981)	\$ (85,518)	\$ 57,945	\$ (27,573)	\$ (157,554)

**YOUTH FOCUS, INC.**  
**Schedule of Receipts and Expenditures of Federal and State Awards**  
**Year Ended June 30, 2015**

Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Receipts	Expenditures
<b><u>Federal Awards:</u></b>			
U.S. Department of Health and Human Services:			
Direct awards:			
Runaway Youth Program (Basic Center Grant)	93.623	\$ 195,723	\$ 196,790
Transitional Living for Homeless Youth and Maternity Group Homes Program	93.550	397,893	400,120
Passed through N.C. Department of Social Services Community-Based Child Abuse Prevention Grant	93.590	33,107	30,000
Passed through Guilford County Area MH, DD, SD Authority, Substance Abuse Cluster: Block Grant for Prevention and Treatment of Substance Abuse Cluster	93.959	247,879	247,879
Community Based Program - Mental Health Services	93.959	124,329	139,046
Total Block Grant for Prevention and Treatment of Substance Abuse Cluster		372,208	386,925
Passed through North Carolina Department of Agriculture Food & Nutrition Service: Child and Adult Care Food Program	10.558	13,306	13,306
U.S. Department of Housing and Urban Development: Direct award, Supportive Housing Program	14.235	51,608	49,859
U.S. Department of Homeland Security: Direct award, Emergency Food and Shelter National Board Program	97.024	2,500	2,500
Total Federal Awards		1,066,345	1,079,500
<b><u>State Awards:</u></b>			
North Carolina Department of Human Resources:			
Passed through Guilford County:			
Department of Juvenile Justice (DJJ)*	N/A	747,531	747,612
North Carolina Department of Health & Human Services:			
Division of Mental Health, Development Disabilities and Substance Abuse Services			
Education in PRTF	N/A	70,971	70,971
Total State Awards		818,502	818,583
Total Federal and State Awards		\$ 1,884,847	\$ 1,898,083

\* 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, 2015**

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NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of receipts and expenditures of federal and state awards includes the federal and state grant activity of Youth Focus, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of North Carolina General Statute 143-6.1, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the financial statements.

**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, 2015, 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 2, 2015.

**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 2, 2015

**Independent Auditor's Report on Compliance For  
Each Major Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on Youth Focus, Inc.'s major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

## **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
September 2, 2015

**YOUTH FOCUS, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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**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   X   no
- (b) Significant deficiency(ies) identified?        yes   X   none reported
- (iii) Noncompliance material to financial statements noted?        yes   X   no

Federal Awards

- (i) Internal control over major programs:
- (a) Material weakness(es) identified        yes   X   no
- (b) Significant deficiency(ies) identified?        yes   X   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 Section 510(a) of OMB Circular A-133?        yes   X   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: \$ 300,000
- (vi) Auditee qualified as low-risk auditee?   X   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 in accordance with section 510(a) of OMB Circular A-133:**

**Findings and Questioned Costs**

None

**YOUTH FOCUS, INC.**  
**Summary Schedule of Prior Year Audit Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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None