

YOUTH GUIDANCE

**Financial Statements and
Supplementary Information**

**(Including Reports Required by
the Office of Management and Budget's
(OMB) Uniform Guidance)**

**For the Year Ended
June 30, 2021**

Youth Guidance

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Youth Guidance
Chicago, IL

We have audited the accompanying financial statements of Youth Guidance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Youth Guidance as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of Youth Guidance'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 solely 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 the effectiveness of Youth Guidance's 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 Guidance's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Youth Guidance's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

December 22, 2021
Chicago, IL

YOUTH GUIDANCE
STATEMENT OF FINANCIAL POSITION
June 30, 2021 (with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 10,134,332	\$ 8,267,398
Accounts receivable	5,201,469	3,311,347
Grants receivable, net, current portion	428,334	1,266,017
Investments, at fair value	20,962,297	17,830,184
Contract asset	-	5,030
Prepaid expenses	118,593	270,227
Total current assets	<u>36,845,025</u>	<u>30,950,203</u>
Other Assets		
Restricted cash and equivalents	128,993	128,696
Grants receivable, net of current portion	130,000	133,334
Security deposits	74,311	71,558
Property and equipment	23,825	23,825
Less accumulated depreciation	<u>(10,247)</u>	<u>(7,173)</u>
Total other assets	<u>346,882</u>	<u>350,240</u>
Total Assets	<u><u>\$ 37,191,907</u></u>	<u><u>\$ 31,300,443</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 574,062	\$ 303,745
Accrued expenses	1,389,762	1,205,844
Refundable advances - government	115,983	105,099
Deferred revenue	2,057,961	464,946
SBA PPP Loan and interest accrual	-	3,751,696
Total current liabilities	<u>4,137,768</u>	<u>5,831,330</u>
Net Assets		
Without donor restrictions		
Undesignated	10,592,706	8,897,160
Board designated	<u>1,053,871</u>	<u>388,023</u>
Total net assets without donor restrictions	<u>11,646,577</u>	<u>9,285,183</u>
With donor restrictions		
Purpose restricted	21,278,569	16,055,234
Perpetual in nature	<u>128,993</u>	<u>128,696</u>
Total net assets with donor restrictions	<u>21,407,562</u>	<u>16,183,930</u>
Total net assets	<u>33,054,139</u>	<u>25,469,113</u>
Total Liabilities and Net Assets	<u><u>\$ 37,191,907</u></u>	<u><u>\$ 31,300,443</u></u>

See independent auditor's report and notes to financial statements.

YOUTH GUIDANCE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<u>Public Support and Revenue</u>				
Contributions	\$ 3,635,785	\$ 9,269,774	\$ 12,905,559	\$ 12,295,738
Government grants	14,882,339	-	14,882,339	13,712,700
Program service fees	571,176	-	571,176	1,360,852
Contract revenue	189,355	-	189,355	5,030
Donated services	19,837	-	19,837	156,698
In-kind contributions	7,425	-	7,425	-
Special Events:				
Sponsorships and ticket revenue	1,524,530	-	1,524,530	1,081,384
Less costs of direct benefits	(33,153)	-	(33,153)	(23,868)
Net revenues from special events	1,491,377	-	1,491,377	1,057,516
Other:				
PPP loan and interest forgiveness	3,751,696	-	3,751,696	-
Miscellaneous income	20,827	-	20,827	26,375
Investment income (loss)	309,876	3,616,607	3,926,483	(31,261)
Net revenues from other	4,082,399	3,616,607	7,699,006	(4,886)
Net assets released from restrictions	7,662,749	(7,662,749)	-	-
Total Public Support and Revenue	32,542,442	5,223,632	37,766,074	28,583,648
<u>Expenses</u>				
Program services	24,245,334	-	24,245,334	23,421,406
Administrative and general	4,317,926	-	4,317,926	3,687,203
Fundraising	1,617,788	-	1,617,788	1,409,964
Total Expenses	30,181,048	-	30,181,048	28,518,573
Change in net assets	2,361,394	5,223,632	7,585,026	65,075
Net Assets, Beginning of Year	9,285,183	16,183,930	25,469,113	25,404,038
Net Assets, End of Year	<u>\$ 11,646,577</u>	<u>\$ 21,407,562</u>	<u>\$ 33,054,139</u>	<u>\$ 25,469,113</u>

See independent auditor's report and notes to financial statements.

YOUTH GUIDANCE**STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended June 30, 2021 (with comparative totals for 2020)**

	Community and After School	Social and Emotional Learning	Youth Workforce	Program Total	Administrative and General	Fundraising	2021 Total	2020 Total
<u>Functional Expenses</u>								
Personnel	\$ 1,899,835	\$ 18,037,326	\$ 992,788	\$ 20,929,949	\$ 2,400,590	\$ 1,162,318	\$ 24,492,857	\$ 22,929,707
Professional fees and contract services	225	444,849	122,956	568,030	763,938	186,297	1,518,265	1,509,754
Occupancy	31,940	312,538	16,756	361,234	42,092	20,087	423,413	417,339
Client activities	436,216	856,752	87,296	1,380,264	3,249	183,030	1,566,543	1,402,734
Depreciation	-	-	-	-	3,074	-	3,074	3,074
Other expenses	139,854	782,116	83,887	1,005,857	1,104,983	66,056	2,176,896	2,255,965
	<u>\$ 2,508,070</u>	<u>\$ 20,433,581</u>	<u>\$ 1,303,683</u>	<u>\$ 24,245,334</u>	<u>\$ 4,317,926</u>	<u>\$ 1,617,788</u>	<u>\$ 30,181,048</u>	<u>\$ 28,518,573</u>

See independent auditor's report and notes to financial statements.

YOUTH GUIDANCE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021 (with comparative totals for 2020)

	2021	2020
<u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>		
Change in net assets	\$ 7,585,026	\$ 65,075
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	3,074	3,074
Donated stock	(78,375)	(65,858)
Proceeds from sale of donated stock	79,563	65,581
Realized and unrealized (gains)/losses on investments	(3,635,819)	472,995
PPP loan and interest forgiveness	(3,751,696)	-
(Increase) decrease in assets		
Accounts and grants receivable	(1,049,105)	1,037,577
Contract asset	5,030	(5,030)
Prepaid expenses	151,634	(171,196)
Security deposits	(2,753)	(3,894)
Increase (decrease) in liabilities		
Accounts payable	270,317	(81,072)
Accrued expenses	183,918	194,251
Refundable advance	10,884	105,099
Deferred revenue	1,593,015	423,885
Net cash provided by operating activities	1,364,713	2,040,487
<u>Cash Flows from Investing Activities</u>		
Purchases of investments	(7,642,569)	(10,220,031)
Sale of investments	8,145,087	10,351,102
Net cash provided by investing activities	502,518	131,071
<u>Cash Flows provided by financing activities</u>		
Proceeds from paycheck protection loan	-	3,744,000
Net cash provided by financing activities	-	3,744,000
Net increase in cash and cash equivalents	1,867,231	5,915,558
Cash and cash equivalents, beginning of year	8,396,094	2,480,536
Cash and cash equivalents, end of year	\$ 10,263,325	\$ 8,396,094
Supplementary Cash Flow Information:		
Cash and equivalents (current)	\$ 10,134,332	\$ 8,267,398
Restricted cash and equivalents	128,993	128,696
	\$ 10,263,325	\$ 8,396,094

See independent auditor's report and notes to financial statements.

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 1 – Nature of Operations

Youth Guidance (the Organization) is a not-for-profit social service organization based in Chicago, Illinois, whose mission is to create and implement school-based programs that enable children to overcome obstacles, focus on their education and, ultimately, to succeed in school and in life. Using public schools as the base and the primary location for service provision, a variety of mental health, education enrichment, job development and social services are provided, both directly by the Organization and in collaboration with other public and private organizations.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including an investment account designated by the Organization’s Board to function as restricted and restricted gifts whose donor-imposed restrictions were met during the fiscal year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift is to be held in perpetuity and that only the income be made available for programs.

Statement of Cash Flows

No amounts were paid for income taxes or interest during the year ended June 30, 2021.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The accounts may, at times, exceed the federally insured limit of \$250,000. The Organization has never experienced any losses in these accounts.

YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2 – Significant Accounting Policies (cont.)

Restricted Cash, Cash Equivalents and Investments

The Organization's restricted cash equivalents and restricted investments are comprised of funds held in separate accounts which represent permanently restricted endowed contributions (see Note 11).

Accounts and Grants Receivable

Accounts and grants receivable consist of both unconditional promises to give by donors and amounts due from governmental agencies for services. Unconditional promises to give are recorded in the year the promises are made, either unrestricted, or restricted for the subsequent period. Amounts due from governmental agencies are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At June 30, 2021, the Organization had approximately \$1,486,976 of conditional pledges expected to be received in future periods.

Accounts and grants receivable are carried net an allowance for doubtful accounts. The Organization records an allowance for doubtful accounts based on specifically identified amounts that are not certain to be collected. Management has estimated the allowance for doubtful accounts to be \$11,937 at June 30, 2021.

Investments

The Organization's investments are reported at fair value. Realized and unrealized gains and losses are reflected in the Statement of Activities. Investment transactions are recorded as of the trade date. Interest and dividends are recorded when received.

Use of Accounting Estimates

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

Income Taxes

The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private Organization under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax-exempt purpose.

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 2 – Summary of Significant Accounting Policies (cont.)

Management believes that it did not engage in any unrelated business activities; as such, no provision for income tax has been provided for in the financial statements. The Organization's Form 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after filing.

Support and Revenue

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At June 30, 2021, the Organization has \$2,057,961 in deferred revenue for agreements with measurable barriers and right of returns for amounts received but conditions have not been met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that only limit the use of the funds or donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to immediately liquidate donations of common stock.

The Organization reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ended June 30, 2021, no such gifts of land, buildings, or equipment were received.

Government Grants

A portion of the Organization's revenue is derived from cost-reimbursable city, state, and federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. As of June 30, 2021, the Organization has \$115,983 in refundable advances derived from cost-reimbursable federal and state grants.

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 2 – Summary of Significant Accounting Policies (cont.)

Contract Revenue

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. To determine the appropriate amount of revenue to be recognized for arrangements determined to be within the scope of Accounting Standards Codification ASC 606 (under Accounting Standard Update (ASU) No. 2014-09), the Organization performs the following five steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation. The Organization only applies the five-step model to contracts when it is probable that the Organization will collect consideration it is entitled to in exchange for the goods or services it transfers to the customer.

The Organization is currently engaged in a license arrangement, which falls under the scope of ASC 606, under which the Organization promises to grant a customer a license to symbolic intellectual property (that is, intellectual property that does not have significant standalone functionality) and includes supporting or maintaining that intellectual property during the license period. Therefore, the nature of the Organization's promise to the customer is both to (a) grant the customer rights to use and benefit from the Organization's intellectual property and make that underlying intellectual property available for the customer's use and benefit and (b) support or maintain the intellectual property during the license period. Under ASC 606, a license to symbolic intellectual property is satisfied over time. The transaction price is a fixed consideration equal to the amount of the total contract and recognized ratably over the license term. The Organization recognized \$189,355 under this contract for the year ended June 30, 2021.

There was no contract revenue recorded in 2021 for any performance obligations met in the prior year.

Property and Equipment

Property and equipment are recorded at cost or at the estimated fair value at the date of gift, if donated. Purchases of property and equipment in excess of a nominal amount with a useful life of greater than one year are capitalized. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets ranging from 3 - 7 years. The cost of maintenance and repairs is charged to expense as incurred. Depreciation expense for the year ended June 30, 2021 was \$3,074.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2021, the Organization received \$19,837 of donated services meeting this criteria. In addition, a

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 2 – Significant Accounting Policies (cont.)

number of volunteers, including the Board of Directors, have made significant contributions of time to the Organization's policy-making, program and support functions. However, the value of this contributed time does not meet the criteria for recognition of contributed services in accordance with generally accepted accounting principles and, accordingly, is not reflected in the accompanying financial statements.

In-Kind Contributions and Donated Facilities

In addition to receiving cash contributions, the Organization receives in-kind contributions and donated facilities from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ending June 30, 2021, the Organization received \$7,425 of in-kind donations.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2021 amounted to \$37,766,074. Of this amount, approximately 21% was received from Chicago Public Schools and 14% from City of Chicago agencies. Additionally, this funding source represented approximately 43% and 7% of the accounts and grants receivables balance at June 30, 2021.

Negative changes in the economy could have an impact on contributions, fundraising efforts, as well as government grants.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, as well as salaries and benefits which are all allocated on the basis of estimates of time.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 2 – Significant Accounting Policies (cont.)

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through December 22, 2021, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 3 – Financial Assets and Liquidity Resources

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 10,134,332
Accounts and grants receivable, current	5,641,740
Investments	<u>20,962,297</u>
Total financial assets, at year-end	<u>36,738,369</u>
Less amounts not available to be used within one year:	
Allowance for doubtful accounts	(11,937)
Restricted by donor with time or purpose restrictions	<u>(21,278,569)</u>
Financial assets not available to be used within one year	<u>(21,290,506)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 15,447,863</u>

The Organization provides various contractual program services from which it receives city, state and federal reimbursement as well as significant unrestricted and restricted gift pledges and contributions from individual, corporation and Organization donors; and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. The Organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. The Organization also has available a \$2,000,000 line of credit (see Note 6) that could be drawn on if needed. During the year ended June 30, 2021, the level of liquidity and reserves was managed within the policy requirements.

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 4 – Investments

Investment income consists of the following components for the year ended June 30, 2021:

Interest and dividends	\$ 339,007
Realized gains	118,666
Unrealized gains	3,517,153
Investment fees	(48,343)
	<u>\$ 3,926,483</u>

Investment securities are exposed to various risks including interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Note 5 – Office Leases and Rent Deferral

The Organization entered into a 10-year lease for office space, effective February 1, 2012. The terms require rental payments that increase over the life of the lease. Effective June 30, 2017, the Organization extended this lease through November 30, 2025. Rental expense for this lease included in the statement of activities for the fiscal year ended June 30, 2021 amounted to \$423,413.

Future minimum lease payments are as follows:

<u>June 30:</u>	<u>Amount</u>
2022	\$ 394,415
2023	401,100
2024	407,785
2025	414,470
2026	175,481
	<u>\$ 1,793,251</u>

Note 6 – Line of Credit

The Organization has a bank line of credit which enables the Organization to borrow up to \$2,000,000, at the rate of prime plus one percent, with no stated maturity date, but callable on demand. For the year ended June 30, 2021, the Organization had no outstanding borrowings against the line of credit.

YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7 – Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. Generally accepted accounting principles also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy consists of three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or dissimilar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets, or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2021:

Money market/mutual funds/ U.S. Treasuries and exchange traded funds: Valued at quoted market prices. These investments held by the Organization are funds that are registered with the Securities and Exchange Commission. These investments held by the Organization are deemed to be actively traded and, therefore, classified within Level 1 of the fair value hierarchy.

The following summarizes that classification of investments at June 30, 2021, by classification and method of valuation in accordance with the above definitions:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 1,210,847	\$ -	\$ -	\$ 1,210,847
Mutual funds				
Equity funds	11,268,846	-	-	11,268,846
Bond funds	2,413,886	-	-	2,413,886
U.S Treasuries	6,000,942	-	-	6,000,942
Exchange traded funds	67,776	-	-	67,776
	<u>\$ 20,962,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,962,297</u>

YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8 – Retirement Plan

The Organization has a defined contribution 401(k) retirement plan. The plan allows for eligible employees to defer compensation up to the statutory limit. The Organization provides matching contributions up to 6% of annual compensation. The Organization made matching contributions for participating employees totaling \$123,310 in the year ended June 30, 2021.

Note 9 – Accounts Receivable

The Organization has entered into contracts with the Cities of Chicago, Boston, and other state and local government agencies. The contracts provide for reimbursement of subsidized services based on specific rates.

The following summarizes the accounts receivable balance at June 30, 2021:

Chicago Public Schools (various)	\$ 3,534,898
Boston Public Schools (various)	609,238
Federal	35,085
State of Illinois	413,831
City of Chicago	436,852
Other	183,502
Less: allowance for doubtful accounts	<u>(11,937)</u>
	<u><u>\$ 5,201,469</u></u>

Note 10 – Grants Receivable

As of June 30, 2021 grants receivable are due to be collected as follows:

Due within one year	\$ 428,334
Due within two to five years	<u>130,000</u>
Sub-total	558,334
Less: current portion	<u>428,334</u>
Accounts and grants receivable, net of current portion	<u><u>\$ 130,000</u></u>

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 11 – Net Assets with Donor Restrictions

Purpose Restricted Net Assets

Purpose restricted net assets are available for the following programs as of June 30, 2021:

Becoming A Man (BAM) - Chicago	\$ 774,701
Becoming A Man (BAM)- Boston	778,647
Becoming A Man (BAM)- Dallas	119,842
Becoming A Man (BAM)- Kansas City	120,384
Becoming A Man (BAM)- Seattle	314,526
Becoming A Man (BAM) - Washington DC	499,244
Working On Womanhood (WOW) - Chicago	726,417
Working On Womanhood (WOW) - Kansas City	284,379
Working On Womanhood (WOW) - Dallas	209,385
Youth Workforce Development	78,008
Davee Foundation Becoming A Man	6,465,265
Davee Foundation Working on Womanhood	6,465,271
Time restricted	4,442,500
	<u>\$ 21,278,569</u>

Net assets were released from donor restriction by incurring expenses, satisfying the restricted purposes, by occurrence of the passage of time or other event specified by donors.

Perpetual in Nature Net Assets

The Organization held \$128,993 in cash equivalents at June 30, 2021 as a perpetual in nature restricted net asset. This is an endowed contribution, which the Organization is able to use as a line of credit for general activities. If used, the Organization is required to replenish the perpetual in nature restricted cash and cash equivalents within one year of the draw.

The Organization accounts for endowment net assets by preserving the fair value of the original donation as of the gift date to the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Organization classifies as endowment net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund, and (4) net appreciation/(depreciation) on each fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 11 – Net Assets with Donor Restrictions (cont.)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

It is the policy of the Organization to manage the endowment fund in a manner that will, at a minimum, preserve and maintain the real purchasing power of the principal while allowing for annual distributions to the operating budget. The Organization’s investment policies specify that funds be maintained in U.S. Treasury Bills or an FDIC-insured certificate of deposit, checking or savings account or a money market mutual fund that is registered under the Investment Organization Act of 1940. The Board of Directors meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy.

The endowment net asset composition by type of fund at June 30, 2021 is as follows:

	Without Restriction	Purpose Restricted	Perpetual in Nature	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 128,993	\$ 128,993

Changes in endowment net assets for the fiscal year ending June 30, 2021 are as follows:

Endowment net assets, beginning of year	\$ 128,696
Contributions	-
Investment Return	
Investment income	297
Net depreciation (realized/unrealized)	-
Endowment net assets, end of year	<u>\$ 128,993</u>

Note 12 – Paycheck Protection Loan

In April 2020, the Organization received loan proceeds in the amount of \$3,744,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts

YOUTH GUIDANCE
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12 – Paycheck Protection Loan (cont.)

up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization elected to follow ASC 470 and recorded the entire amount of the loan as debt and accrue interest in accordance with the interest method under ASC Subtopic 835-30, *Imputation of Interest* until the debt is extinguished, which is in accordance with FASB ASC 405-20, when the debtor has been “legally released” as the primary obligor or the debtor satisfies the outstanding balance of the debt. Once the debt is extinguished, the liability would be eliminated and a gain on extinguishment of debt recorded. The total PPP loan of \$3,744,000 plus accrued interest of \$7,696 was fully forgiven and the gain of \$3,751,696 on extinguishment of debt and accrued interest has been included as a component of public support and revenue for the year ended June 30, 2021.

**REPORTS REQUIRED BY
THE OFFICE OF MANAGEMENT AND
BUDGET (OMB) UNIFORM GUIDANCE**

YOUTH GUIDANCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Contract Number	Passed Through To Subrecipient	Disbursements or Expenditures
U.S. Department of Health and Human Services				
Pass-through Illinois Department of Human Services Social Services Block Grant				
July 1, 2020 to June 30, 2021	93.667	FCSVJ00057, FCSVS01987	\$ -	\$ 179,754
Temporary Assistance to Needy Families July 1, 2020 to June 30, 2021	93.558	FCSYR04866	-	166,494
Pass-through Illinois Department of Children and Family Services John H. Chafee Foster Care Program for Successful Transition to Adulthood				
July 1, 2020 to June 30, 2021	93.674	14100133578	- (1)	583,589
Total U.S. Department of Health and Human Services			-	929,837
U.S. Department of Education				
Pass-through Chicago Public Schools Twenty-First Century Community Learning Centers				
July 1, 2020 to June 30, 2021	84.287	11060	-	592,695
Pass-through Illinois State Board of Education Twenty-First Century Community Learning Centers				
July 1, 2020 to June 30, 2021	84.287	02-21CCLC	-	457,257
Total U.S. Department of Education			-	1,049,952
U.S. Department of Justice				
Pass-through State of Illinois Criminal Justice Information Authority Juvenile Mentoring Program				
October 1, 2019 to September 30, 2020	16.726	2016JUFX0004	-	60,565
October 1, 2020 to September 30, 2021	16.726	2016JUFX0004	-	169,029
Total U.S. Department of Justice			\$ -	\$ 229,594

(1) Audited as a major program

See accompanying notes to schedule of federal awards.

YOUTH GUIDANCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Contract Number</u>	<u>Passed Through To Subrecipient</u>	<u>Disbursements or Expenditures</u>
U.S. Department of Labor				
Pass-through City of Chicago Mayor's Office of Workforce Development				
WIA Youth Activities				
July 1, 2020 to June 30, 2021	17.259	2019-488-001-19	\$ - (1)	\$ 262,165
Total U.S. Department of Labor			<u>-</u>	<u>262,165</u>
U.S. Department of Housing and Urban Development				
Pass-through City of Chicago Family and Support Services				
Section 8 Housing Choice Vouchers				
January 1, 2020 to December 31, 2020	14.871	99411	-	49,130
January 1, 2021 to December 31, 2021	14.871	99411	-	22,852
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>71,982</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,543,530</u>

(1) Audited as a major program

See accompanying notes to schedule of federal awards.

YOUTH GUIDANCE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal grant activity of Youth Guidance (the “Organization”), under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because this schedule presents only a selected portion of the operations of Youth Guidance it is not intended to and does not present the financial position, changes in net assets or cash flows of Youth Guidance.

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 *2 CFR Part 230 – Cost Principles for Non-Profit Organizations (OMB Circular A-122)*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Sub-Recipients

The Organization did not provide any federal awards to sub-recipients during the year ended June 30, 2021.

Note 4 – Other Matters

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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 of
Youth Guidance
Chicago, IL

We have audited in accordance with auditing standards 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 Guidance, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 December 22, 2021 .

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Youth Guidance'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 Youth Guidance's internal control. Accordingly, we do not express an opinion on the effectiveness of Youth Guidance'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 Youth Guidance'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Desmond & Ahern, Ltd

December 22, 2021
Chicago, IL



Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Directors
Youth Guidance
Chicago, IL

Report on Compliance for Each Major Federal Program

We have audited Youth Guidance's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Youth Guidance's major federal programs for the year ended June 30, 2021. Youth Guidance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Youth Guidance's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Youth Guidance'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 each major federal program. However, our audit does not provide a legal determination of Youth Guidance's compliance.

Opinion on Each Major Federal Program

In our opinion, Youth Guidance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Youth Guidance 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 Guidance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Youth Guidance'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.

Desmond & Akers, Ltd

December 22, 2021
Chicago, IL

**YOUTH GUIDANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X no
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be weakness(es)? _____ yes X no

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance under 2 CFR section 200.516 (a)? _____ yes X no

Certification of Major Programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood
17.259	WIA Youth Activities

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ No

**YOUTH GUIDANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Federal Award Findings and Questioned Costs - Prior Year

None