

Youth & Opportunity United, Inc.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2017 and 2016

Youth & Opportunity United, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	12
Supplementary Information	
Schedule of Expenditures of Federal Awards	23
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditor's Report on Compliance for Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	26
Schedule of Findings and Questioned Costs	28
Schedule of Prior Year Findings	29

Independent Auditor's Report

To the Board of Directors
Youth & Opportunity United, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Youth & Opportunity United, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth & Opportunity United, Inc. as of June 30, 2017 and 2016, 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 Information

Our audits were 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 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 December 13, 2017, on our consideration of Youth & Opportunity United, 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 the 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 & Opportunity United, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
December 13, 2017

Youth & Opportunity United, Inc.

**Statements of Financial Position
June 30, 2017 and 2016**

Assets

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 661,099	\$ 500,348
Cash - restricted (capital campaign)	148,808	3,205,812
Cash - restricted	375,294	582,535
Accounts receivable, net	479,541	352,551
Promises to give, net	298,366	363,900
Other current assets	23,304	22,505
Assets held for sale	-	423,000
	<u>1,986,412</u>	<u>5,450,651</u>
Total current assets		
Fixed assets		
Land	608,040	608,040
Building and building improvements, net	5,504,449	-
Furniture and equipment, net	305,850	19,334
Construction in progress	-	1,174,190
	<u>6,418,339</u>	<u>1,801,564</u>
Total fixed assets, net		
Other assets		
Promises to give, less current portion, net	994,561	1,195,041
Endowment cash available to invest	-	375,300
Endowment investments	2,387,231	1,753,677
	<u>3,381,792</u>	<u>3,324,018</u>
Total other assets		
Total assets	<u>\$ 11,786,543</u>	<u>\$ 10,576,233</u>

Youth & Opportunity United, Inc.

**Statements of Financial Position
June 30, 2017 and 2016**

Liabilities and Net Assets

	<u>2017</u>	<u>2016</u>
Current liabilities		
Mortgage payable, current maturities	\$ 12,270	\$ 223,327
Accounts payable	135,527	96,642
Construction costs payable	-	336,364
Accrued salaries and related expenses	101,577	101,832
Accrued interest	1,597	1,642
Other accrued expenses	27,032	44,974
Other current liabilities	<u>3,235</u>	<u>12,514</u>
Total current liabilities	<u>281,238</u>	<u>817,295</u>
Long-term liabilities		
Mortgage payable, net of current maturities	387,683	-
Other long-term liabilities	<u>8,939</u>	<u>-</u>
Total long-term liabilities	<u>396,622</u>	<u>-</u>
Total liabilities	<u>677,860</u>	<u>817,295</u>
Net assets		
Unrestricted	6,572,049	797,120
Temporarily restricted	2,495,247	6,926,431
Permanently restricted	<u>2,041,387</u>	<u>2,035,387</u>
Total net assets	<u>11,108,683</u>	<u>9,758,938</u>
Total liabilities and net assets	<u>\$ 11,786,543</u>	<u>\$ 10,576,233</u>

See Notes to Financial Statements.

Youth & Opportunity United, Inc.

**Statement of Activities
Year Ended June 30, 2017**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activity				
Operating support and revenue				
Contributions	\$ 736,783	\$ 323,146	\$ 1,000	\$ 1,060,929
Government revenue	2,365,066	-	-	2,365,066
United Way grant revenue	537,500	-	-	537,500
Special events	337,167	-	-	337,167
Donated services	51,379	-	-	51,379
Investment return	3,387	248,867	-	252,254
Net assets released from restrictions	356,712	(356,712)	-	-
Net assets released from non-operating	317,237	-	-	317,237
Total operating support and revenue	4,705,231	215,301	1,000	4,921,532
Operating expenses				
Program services				
Youth and family services	3,389,408	-	-	3,389,408
Supporting services				
Management and general	678,725	-	-	678,725
Fundraising	344,797	-	-	344,797
Total operating expenses	4,412,930	-	-	4,412,930
Increase in net assets from operating activity	292,301	215,301	1,000	508,602
Non-operating activity				
Non-operating support and revenue				
Contributions - capital campaign	1,133,332	49,290	5,000	1,187,622
Donated services and property	229,697	-	-	229,697
Net assets released from restrictions	4,378,538	(4,695,775)	-	(317,237)
Total non-operating support and revenue	5,741,567	(4,646,485)	5,000	1,100,082
Non-operating expenses				
Program services				
Youth and family services	173,886	-	-	173,886
Supporting services				
Management	67,734	-	-	67,734
Fundraising	17,319	-	-	17,319
Total non-operating expenses	258,939	-	-	258,939
Increase (decrease) in net assets from non-operating activity	5,482,628	(4,646,485)	5,000	841,143
Total increase (decrease) in net assets	5,774,929	(4,431,184)	6,000	1,349,745
Net assets - beginning of year	797,120	6,926,431	2,035,387	9,758,938
Net assets - end of year	\$ 6,572,049	\$ 2,495,247	\$ 2,041,387	\$ 11,108,683

Youth & Opportunity United, Inc.

**Statement of Activities
Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating activity				
Operating support and revenue				
Contributions	\$ 557,040	\$ 576,022	\$ -	\$ 1,133,062
Government revenue	2,389,459	-	-	2,389,459
United Way grant revenue	537,500	-	-	537,500
Special events	332,353	5,000	-	337,353
Donated services	95,187	-	-	95,187
Net assets released from restrictions	227,630	(227,630)	-	-
Net assets released from non-operating	285,355	-	-	285,355
Total operating support and revenue	<u>4,424,524</u>	<u>353,392</u>	<u>-</u>	<u>4,777,916</u>
Operating expenses				
Program services				
Youth and family services	3,360,467	-	-	3,360,467
Supporting services				
Management and general	686,043	-	-	686,043
Fundraising	327,112	-	-	327,112
Total operating expenses	<u>4,373,622</u>	<u>-</u>	<u>-</u>	<u>4,373,622</u>
Increase in net assets from operating activity	<u>50,902</u>	<u>353,392</u>	<u>-</u>	<u>404,294</u>
Non-operating activity				
Non-operating support and revenue				
Contributions - capital campaign	-	3,678,962	1,560,300	5,239,262
Donated services and property	-	73,409	-	73,409
Investment return	-	137,064	-	137,064
Net assets released from restrictions	167,411	(452,766)	-	(285,355)
Reclassification of net assets	-	(375,000)	375,000	-
Total non-operating support and revenue	<u>167,411</u>	<u>3,061,669</u>	<u>1,935,300</u>	<u>5,164,380</u>
Non-operating expenses				
Program services				
Youth and family services	73,088	-	-	73,088
Supporting services				
Management	8,770	-	-	8,770
Fundraising	85,553	-	-	85,553
Total non-operating expenses	<u>167,411</u>	<u>-</u>	<u>-</u>	<u>167,411</u>
Increase in net assets from non-operating activity	<u>-</u>	<u>3,061,669</u>	<u>1,935,300</u>	<u>4,996,969</u>
Total increase in net assets	50,902	3,415,061	1,935,300	5,401,263
Net assets - beginning of year	<u>746,218</u>	<u>3,511,370</u>	<u>100,087</u>	<u>4,357,675</u>
Net assets - end of year	<u><u>\$ 797,120</u></u>	<u><u>\$ 6,926,431</u></u>	<u><u>\$ 2,035,387</u></u>	<u><u>\$ 9,758,938</u></u>

See Notes to Financial Statements.

Youth & Opportunity United, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2017**

	Program services	Supporting services		
	Youth and family services	Management and general	Fundraising	Total
Salaries and related expenses	\$ 2,445,469	\$ 475,850	\$ 262,116	\$ 3,183,435
Direct service providers	120,514	1,016	-	121,530
Partner grants and awards	243,573	-	-	243,573
Supplies and snacks	316,999	82,526	15,162	414,687
Transportation and field trips	85,727	759	541	87,027
Trainings and conferences	71,254	15,811	793	87,858
Communications	40,540	13,378	17,954	71,872
Professional fees	68,253	91,190	3,301	162,744
Occupancy and insurance	61,927	27,178	3,777	92,882
Contributed services and supplies	43,314	32,134	1,429	76,877
Special events	-	-	43,853	43,853
Depreciation	61,395	15,950	4,781	82,126
Miscellaneous	4,329	1,754	8,409	14,492
Total functional expenses	<u>\$ 3,563,294</u>	<u>\$ 757,546</u>	<u>\$ 362,116</u>	<u>\$ 4,682,956</u>

Youth & Opportunity United, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2016**

	Program services	Supporting services		
	Youth and family services	Management and general	Fundraising	Total
Salaries and related expenses	\$ 2,290,828	\$ 508,403	\$ 256,242	\$ 3,055,473
Direct service providers	130,637	1,290	-	131,927
Partner grants and awards	242,963	-	-	242,963
Supplies and snacks	223,435	32,699	628	256,762
Transportation and field trips	93,358	426	163	93,947
Trainings and conferences	49,489	11,975	804	62,268
Communications	36,825	28,060	33,055	97,940
Professional fees	112,321	46,266	59,134	217,721
Occupancy and insurance	82,965	14,866	6,244	104,075
Contributed services	66,215	28,972	-	95,187
Special events	-	-	44,360	44,360
Depreciation	19,199	2,628	1,209	23,036
Write-down of assets held for sale	82,602	11,309	5,203	99,114
Miscellaneous	2,718	7,919	5,623	16,260
Total functional expenses	<u>\$ 3,433,555</u>	<u>\$ 694,813</u>	<u>\$ 412,665</u>	<u>\$ 4,541,033</u>

See Notes to Financial Statements.

Youth & Opportunity United, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,349,745	\$ 5,401,263
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	82,126	23,036
Contributions restricted for long-term purposes	(481,000)	(2,435,300)
Gain on investments	(213,667)	(126,630)
Investment income	(38,587)	-
Gain on sale of building	(11,030)	-
Donated capitalized services	(204,199)	(73,409)
Write-down of assets held for sale	-	99,114
(Increase) decrease in operating assets:		
Accounts receivable, net	(126,990)	(3,827)
Promises to give, net	266,014	(1,148,768)
Other current assets	(799)	(2,354)
Increase (decrease) in operating liabilities:		
Accounts payable	38,885	(69,058)
Construction costs payable	(336,364)	-
Accrued expenses and other liabilities	<u>(18,582)</u>	<u>(70,531)</u>
Net cash provided by operating activities	<u>305,552</u>	<u>1,593,536</u>

Youth & Opportunity United, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from investing activities		
Construction in progress	(4,179,714)	(503,840)
Purchases of endowment investments	(381,300)	(1,627,047)
Purchases of fixed assets	(309,390)	-
Proceeds from sale of building	<u>428,432</u>	<u>-</u>
Net cash used in investing activities	<u>(4,441,972)</u>	<u>(2,130,887)</u>
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes:		
Contributions restricted to long-term assets	475,000	875,000
Contributions restricted for endowments	6,000	1,560,300
Payments on mortgage payable	(223,327)	(63,869)
Proceeds from mortgage payable	399,953	-
Proceeds from line of credit	400,000	-
Payments on line of credit	<u>(400,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>657,626</u>	<u>2,371,431</u>
Net (decrease) increase in cash	<u>(3,478,794)</u>	<u>1,834,080</u>
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,663,995</u>	<u>2,829,915</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 1,185,201</u></u>	<u><u>\$ 4,663,995</u></u>
Significant noncash financing and investing activities		
Increase in fixed assets	\$ -	\$ (336,364)
Increase in construction costs payable	<u>-</u>	<u>336,364</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u><u>\$ 5,321</u></u>	<u><u>\$ 14,014</u></u>

See Notes to Financial Statements.

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Note 1 - Organization

Youth & Opportunity United, Inc. ("Y.O.U.," or the "Organization") was organized under the Illinois General Not-For-Profit Corporation Act exclusively for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Y.O.U. is a human service agency that assists youths and their families in developing and sustaining behavioral and emotional health through community based services. For the years ended June 30, 2017 and 2016, Y.O.U. received 41% and 24%, respectively, of its income in grants from government agencies. The remainder of its support came from contributions by corporations, foundations, individuals, and special events.

Note 2 - Summary of significant accounting policies

Basis of presentation

Y.O.U. conforms with accounting guidance for Financial Statements of Not-for-Profit Organizations. Y.O.U. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Additionally, information is required to segregate program service expenses from support service expenses. Support expenses include administrative activities such as, management and general, and fundraising, except for the direct conduct of program services.

The net assets of Y.O.U. are classified as follows:

Unrestricted represents the portion of net assets that are not subject to donor-imposed stipulations and are available for operations.

Temporarily restricted represents income that has been temporarily restricted by the donor as to its usage and/or the passage of time.

Permanently restricted represents funds that have been restricted by the donor as to it being retained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include money market accounts and highly-liquid short-term investments purchased with maturities of three months or less.

Accounts receivable, promises to give and bad debts

Accounts receivable and promises to give are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable and promises to give. It is reasonably possible that management's estimate of the allowance will change.

Capitalization and depreciation

Land, building, building improvements, and office furniture and equipment are recorded at cost or if donated, at estimated fair value at date of acquisition. Improvements are capitalized, while

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

expenditures for maintenance and repairs are expensed. The assets are depreciated over their estimated service lives. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives. Depreciation expense for the years ended June 30, 2017 and 2016 was \$82,126 and \$23,036, respectively.

	<u>Estimated life</u>	<u>Method</u>
Building	45 years	Straight-line
Building improvements	5 - 15 years	Straight-line
Office furniture and equipment	3 - 7 years	Straight-line

Construction in progress

Costs incurred for construction in progress are capitalized when incurred. If at any time management determines that the costs incurred would no longer provide a future benefit to the Organization the costs are expensed in the period in which that determination is made.

Assets held for sale

Long-lived assets to be sold are classified as "held for sale" in the period in which certain criteria are met, such as the estimated timeframe in which the assets are expected to be sold. As a result, depreciation is not recorded on an asset once deemed to be held for sale, and it is recorded in the financial statements at the lower of its carrying value or fair value less cost to sell.

Impairment of long-lived assets

Y.O.U. reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value.

Investments

Investments, other than money market funds and interest-bearing deposits, are reflected in the accompanying combined financial statements at fair value. Investment gains and losses include net realized and unrealized gains and losses and are reflected in the accompanying statements of activities as operating and non-operating activities for the years ended June 30, 2017 and 2016, respectively. Interest income and dividends are also reflected in the accompanying statements of activities as operating and non-operating activities for the years ended June 30, 2017 and 2016, respectively. For the year ended June 30, 2017, investment management fees of \$11,087 were incurred and are included in operating investment income on the accompanying statements of activities. For the year ended June 30, 2016, investment management fees of \$3,387, were incurred and are included in non-operating expenses on the accompanying statements of activities.

Fair value measurements

Fair value is defined as the price that would be received to sell 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 or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and establish the following three-tier fair value

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities

Level 2: Inputs are other than quoted prices in active markets, which are either directly or indirectly observable. Fair value is determined through the use of models or other valuation methodologies

Level 3: Inputs that are unobservable for the assets or liabilities

Revenue recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All government grants received by the Organization are conditional promises to give and are recognized as revenue when the conditions stated in the various agreements have been met. Grants are considered to be available for unrestricted use unless specifically restricted by donors. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of benefit received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Special event revenue is recorded when received and is generally cash received; however, revenue under this caption could also be recognized in the form of a promise to give. This revenue is classified as either unrestricted or temporarily restricted net assets depending on donor stipulations.

In-kind services are recognized when services are performed. In-kind services are considered to be available for unrestricted use.

Functional allocation of expenses

Functional expenses have been allocated based on analysis of personnel time, space utilized, historic trends and/or actual expenses for the related activities.

Operating leases

Operating lease payments are recorded at actual costs at the time the lease payments are due. Accounting principles generally accepted in the United States of America require that operating lease payments be amortized over the term of the lease using the straight-line method; however,

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

the effect of recording lease payments at actual cost at the time the lease payments are due is not materially different from the results that would have been obtained under the straight-line method.

Advertising

Advertising costs are charged to operations as they are incurred.

Income taxes

Y.O.U. is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Y.O.U. qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization other than a private foundation under Section 509(a)(1) of the Internal Revenue Code. Y.O.U. had no unrelated business income for the years ended June 30, 2017 and 2016. Income tax returns filed by the Organization are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2014 remain open.

Reclassifications

Reclassifications may have been made to the prior year balances to conform to the current year presentation. Such reclassifications were made for comparative purposes only, and do not restate the prior year financial statements.

Note 3 - Restricted cash

Capital campaign

The capital campaign was a three-year effort that raised over \$16 million for building a new facility (see Note 6), programming, and financial sustainability. While fundraising for the campaign ended on June 30, 2016, collections of contributions continue. Contributions under this campaign are classified as restricted cash and temporarily restricted net assets until the stipulations surrounding their use are achieved. These donations, when received, are segregated into a separate cash account. As of June 30, 2017 and 2016, \$148,808 and \$3,205,812, respectively, remains classified as capital campaign restricted cash.

Certain private donations have been classified as restricted cash and temporarily restricted net assets. These donations, when received, have been segregated into a separate cash account. As of June 30, 2017 and 2016, \$375,294 and \$582,535, respectively, has been classified as other restricted cash.

Endowment cash

Certain private donations have been designated for investment as part of the endowment fund. As of June 30, 2017 and 2016, \$0 and \$375,300, respectively, were available to invest.

Youth & Opportunity United, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

Note 4 - Promises to give

Promises to give, less an appropriate allowance for uncollectable items, include promises to give from normal operations and the capital campaign on the accompanying statements of financial position. Promises to give are recorded at their estimated fair value with amounts due later than one year at the expected present value of estimated future cash flows using a risk-adjusted rate:

	2017	2016
Promises to give to be collected in:		
Less than one year	\$ 308,184	\$ 375,965
One to five years	1,047,000	1,018,475
Over five years	-	250,000
	<u>1,355,184</u>	<u>1,644,440</u>
Less:		
Discount to present value	(50,294)	(66,068)
Allowance for uncollectible amounts	<u>(11,963)</u>	<u>(19,431)</u>
Promises to give, net	1,292,927	1,558,941
Less current portion	<u>(298,366)</u>	<u>(363,900)</u>
Long-term portion	<u><u>\$ 994,561</u></u>	<u><u>\$ 1,195,041</u></u>

Note 5 - Endowment investments

The following table presents information about the Organization's investments. Money market funds are stated at cost. Investments are based on quoted market prices in active markets and therefore are classified as Level 1.

Investments consist of the following at June 30, 2017 and 2016:

	2017	2016
Money market funds	\$ 22,230	\$ 19,183
Equity mutual funds	1,638,335	1,163,955
Fixed income mutual funds	726,666	570,539
	<u><u>\$ 2,387,231</u></u>	<u><u>\$ 1,753,677</u></u>

Investment return for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Interest, dividend income, and fees	\$ 38,587	\$ 10,434
Realized gains	71,839	-
Unrealized gains	<u>141,828</u>	<u>126,630</u>
Investment return	<u><u>\$ 252,254</u></u>	<u><u>\$ 137,064</u></u>

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Note 6 - Fixed assets and construction in progress

During the year ended June 30, 2015, management began pursuing a capital building project of their new headquarters facility at 1911 Church Street in Evanston, IL when the Organization received a donation of land. Costs incurred in connection with this project were capitalized as incurred. During the year ended June 30, 2017, construction was completed and the building was placed in service on February 1, 2017.

Note 7 - Construction contract

On February 2, 2016, Y.O.U. entered into a construction contract with Leopardo Companies, Inc., an unrelated party, to build the new headquarters facility at 1911 Church Street in Evanston, IL. As of June 30, 2017 and 2016, the total construction contract including change orders was in the amount of \$4,608,438 and \$4,592,530, respectively. During the years ended June 30, 2017 and 2016, construction costs in the amount of \$4,024,566 and \$583,872, respectively, were incurred. As of June 30, 2017 and 2016, \$0 and \$302,409, respectively, of construction costs remain payable.

Note 8 - Sale of building

In the prior year, due to the construction of the new facility, management committed to a plan to sell the 1027 Sherman Avenue property in Evanston, IL. On September 26, 2016, Y.O.U. entered into a purchase and sale agreement with an unrelated party to sell the aforementioned property. On December 1, 2016, the aforementioned property was sold for a sales price, net of selling costs of \$423,000. As of June 30, 2016, Y.O.U. wrote down the carrying value of the related land, building and building improvements to its fair value less costs to sell. The fair value was considered using Level 2 inputs. For the year ended June 30, 2016, the resulting loss on the write-down of the assets of \$99,114 is included in the accompanying statements of activities as an operating activity. As of June 30, 2016, the property is classified as held for sale on the accompanying statements of financial position. As of June 30, 2017, the Organization wrote off the remaining book value of the aforementioned property, which resulted in a gain of \$11,030.

Note 9 - Mortgage payable

A mortgage note dated December 1, 2012 was held by First Bank and Trust in the original amount of \$307,972. On October 1, 2015, the initial interest rate of 6.48% was modified to 4.95%. Monthly payments of principal and interest were required through the maturity date on December 1, 2016. The note was collateralized by the 1027 Sherman Avenue property. As of June 30, 2017 and 2016, the mortgage payable balance is \$0 and \$223,327, respectively. During the years ended June 30, 2017 and 2016, interest of \$3,724 and \$14,014, respectively, was incurred. As of June 30, 2017 and 2016, interest of \$0 and \$1,642, respectively, remains payable. During the year ended June 30, 2017, the mortgage note was paid in full in conjunction with the sale of the 1027 Sherman Avenue property.

On June 30, 2017, Y.O.U. entered into a mortgage note held by First Bank and Trust in the amount of \$399,953 with a maturity date of June 30, 2022. The note carries a 4.70% interest rate and monthly payments of principal and interest are due. Upon maturity, any unpaid principal and interest is due. As of June 30, 2017 and 2016, the mortgage payable balance is \$399,953 and \$0, respectively.

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Note 10 - Line of credit

Y.O.U. had a line of credit with First Bank and Trust in the amount of \$150,000 that expired on May 21, 2017. Interest was payable monthly at the prime rate plus 0.5%, subject to a 4% minimum. As of June 30, 2016, no amounts were drawn and the prime rate plus 0.5% was 4.00%. On May 21, 2017, Y.O.U. renewed the line of credit with First Bank and Trust in the amount of \$750,000. Interest is payable monthly at the prime rate. As of June 30, 2017, no amounts were drawn and the prime rate was 4.25%. The line of credit expires on May 21, 2018. The lines of credit are collateralized by the business assets of Y.O.U.

Y.O.U. had a line of credit with First Bank and Trust in the amount of \$2,000,000 that expired on June 30, 2017. Interest was payable monthly at the prime rate. As of June 30, 2017 and 2016, the prime rate was 4.25% and 3.50%, respectively. The line of credit was collateralized by the business assets of Y.O.U. During the years ended June 30, 2017 and 2016, proceeds of \$400,000 and \$0, respectively, were drawn. During the years ended June 30, 2017 and 2016, interest of \$1,597 and \$0, respectively, was incurred. As of June 30, 2017 and 2016, interest of \$1,597 and \$0, respectively, remains payable. Upon expiration, the balance of \$399,953 was converted into the mortgage (see Note 9).

Note 11 - Temporarily restricted net assets

A summary of the temporarily restricted net assets account activity for the fiscal years ended June 30, 2017 and 2016 are as follows:

June 30, 2017	Beginning balance	Additions	Releases	Transfer	Ending balance
Net assets - temporarily restricted	\$ 6,926,431	\$ 621,303	\$ (5,052,487)	\$ -	\$ 2,495,247
June 30, 2016	Beginning balance	Additions	Releases	Transfer	Ending balance
Net assets - temporarily restricted	\$ 3,511,370	\$ 4,470,457	\$ (680,396)	\$ (375,000)	\$ 6,926,431

Net assets are released from restrictions when the passage of time and/or the stipulated conditions have been met.

Note 12 - Endowment

The Organization's endowment was formally established during 2015 and currently consists of the Finnegan Family Fund, a donor-restricted endowment fund, with the purpose of building a financial foundation that will allow the Organization to sustain and expand its impact into the future. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift amount of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of

Youth & Opportunity United, Inc.

**Notes to Financial Statements
June 30, 2017 and 2016**

this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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 effect 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

Endowment net asset composition by type of fund and changes in endowment net assets as of and for the years ended June 30, 2017 and 2016, respectively, is as follows:

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 385,931	\$ 2,001,300	\$ 2,387,231
Endowment net assets, beginning of year	\$ (3,387)	\$ 137,064	\$ 1,995,300	\$ 2,128,977
Investment return:				
Investment income	3,387	35,200	-	38,587
Net appreciation (realized and unrealized)	-	213,667	-	213,667
Total investment return	3,387	248,867	-	252,254
Contributions	-	-	6,000	6,000
Endowment net assets, end of year	\$ -	\$ 385,931	\$ 2,001,300	\$ 2,387,231
2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 137,064	\$ 1,995,300	\$ 2,132,364
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Investment return:				
Investment income	(3,387)	10,434	-	7,047
Net appreciation (realized and unrealized)	-	126,630	-	126,630
Total investment return	(3,387)	137,064	-	133,677
Contributions	-	-	1,995,300	1,995,300
Endowment net assets, end of year	\$ (3,387)	\$ 137,064	\$ 1,995,300	\$ 2,128,977

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Investment objectives, strategies and risk parameters

The basic philosophy governing the investments of the endowment will be prudent long-term growth of principal with the understanding that the portfolio's values will fluctuate with the capital markets over shorter term time periods. Within this framework, Y.O.U. seeks a competitive total return consistent with historical capital market conditions and subject to risk tolerances, liquidity requirements, and investment guidelines.

The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

To minimize risk of the portfolio as a whole, the portfolio is well diversified across asset classes, economic sectors, industry groups and individual securities. The asset allocation is designed to provide a balance that will enhance total return while avoiding undue risk from concentration in any single asset class or investment style, and provide funding for foreseeable liquidity events.

Spending policy and how the investment objectives relate to spending policy

Consistent with the purpose of the endowment and Organization, and subject to donor imposed restrictions on endowment gifts, Y.O.U. may appropriate for expenditure or accumulate so much of the endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. The decision to appropriate will balance the long-term growth objective of the fund with prudent spending to assist with annual programming objectives. The calculation will consider a combination of market performance of the endowment and needs of the Organization and may be adjusted, from time-to-time, by the Board as it deems reasonable and appropriate.

Funds with deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations as well as continued appropriation for programs as deemed prudent by the Board of Trustees. There were no such deficiencies as of June 30, 2017 or 2016.

Note 13 - Donated property and services

Donations of property are recorded as financial support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions on which they depend are substantially met.

Donations of in-kind services are recorded if they create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, 2017 and 2016, Y.O.U. received legal, architectural, consulting and design services with a value of \$281,076 and \$168,596, respectively. The value of such services is included as donated services in the accompanying statements of activities. In addition, Y.O.U. received 1,649 and 2,812 hours of volunteer service for the years ended June 30, 2017 and 2016, respectively, which are not considered specializing or enhancing to a non-financial asset and are therefore not recorded in the financial statements.

Youth & Opportunity United, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Note 14 - Cost-sharing obligation and lease expenses

Y.O.U. entered into a cost sharing agreement for program space at Grace Lutheran Church (the "Lessor") in Evanston, Illinois on September 1, 2007. The original agreement expired on October 31, 2013. The agreement was renewed for the period November 1, 2013 through October 31, 2015 and again for the period November 1, 2015 through December 31, 2016. Monthly fixed program costs were \$1,800 for the agreement ending October 31, 2015 and \$1,900 for the contract ending December 31, 2016. Cost-sharing expenses for each of the years ended June 30, 2017 and 2016 were \$11,400 and \$22,400, respectively.

Y.O.U. entered into a lease agreement for program space at Renew Management Services (the "Lessor") in Evanston, Illinois on February 20, 2015. Monthly fixed program costs are \$2,400 from March 1, 2015 through February 28, 2016. After the initial year, the costs increase to \$2,475 from March 1, 2016 through March 31, 2017. Lease expenses for each of the years ended June 30, 2017 and 2016 were \$22,275 and \$29,100, respectively.

Note 15 - Concentration of revenue

A substantial portion of Y.O.U.'s revenue is from one grantor during the years ended June 30, 2017 and 2016. Substantial revenue is defined as revenue earned from any individual source that is in excess of 10% of the total revenue for a given year. This revenue is comprised of federal pass-through grants from the Department of Education. During the years ended June 30, 2017 and 2016, revenue received from those grantors was \$1,354,668, or 22% of total revenue, and \$1,582,905, or 16% of total revenue, respectively.

Note 16 - Concentration of credit risk

The Organization maintains cash and cash equivalent balances in several accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation. From time-to-time, the Organization's balances may exceed these limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2017.

Note 17 - Subsequent events

Events that occur after the statement of financial position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of Youth & Opportunity United, Inc. through December 13, 2017 (the date the financial statements were available to be issued) and concluded that no additional subsequent events other than those already discussed in the notes have occurred that would require recognition in the financial statements.

Supplementary Information

Youth & Opportunity United, Inc.

Schedule of Expenditures of Federal Awards June 30, 2017

Federal Grantor / (Pass-through Grantor) / Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services			
Basic Center Program (Note B)	93.623	N/A - Direct	\$ 47,310
Basic Center Program (Note B)	93.623	N/A - Direct	141,911
Steet Outreach Program (Note B)	93.557	N/A - Direct	49,827
Steet Outreach Program (Note B)	93.557	N/A - Direct	147,038
Illinois Department of Human Services			
Comprehensive Community Based Youth Services (CCBYS)	93.667	FCSVR01044	12,968
		Subtotal	399,054
Corporation for National & Community Service			
Illinois Department of Public Health			
Americorps	94.006	673800026D	16,824
Americorps	94.006	77380026E	209,966
		Subtotal	226,790
Department of Justice			
Office on Violence Against Women			
Allied Against Violence (Note B)	16.888	N/A - Direct	105,992
Department of Education			
Illinois State Board of Education			
Loyola America Reads Program	84.033	N/A	4,129
21st Century Community Learning Centers - ETHS	84.287C	2016-4421-35-65-108-1220-51	24,799
21st Century Community Learning Centers - ETHS	84.287C	2017-4421-35-65-108-1220-51	97,052
21st Century Community Learning Centers - Lincoln	84.287C	2016-4421-13-65-108-1220-51	25,404
21st Century Community Learning Centers - Lincoln	84.287C	2017-4421-13-65-108-1220-51	88,944
21st Century Community Learning Centers - King Arts	84.287C	2016-4421-31-65-108-1220-51	20,005
21st Century Community Learning Centers - King Arts	84.287C	2017-4421-31-65-108-1220-51	94,055
21st Century Community Learning Centers - Dawes	84.287C	2016-4421-32-65-108-1220-51	14,861
21st Century Community Learning Centers - Dawes	84.287C	2017-4421-32-65-108-1220-51	72,174
21st Century Community Learning Centers - Chute, Oakton, Walker	84.287C	2016-4421-25-65-108-1220-51	53,341
22nd Century Community Learning Centers - Chute, Oakton, Walker	84.287C	2017-4421-25-65-108-1220-51	289,689
21st Century Community Learning Centers - Nichols, Old Orchard, Washington, Edison	84.287C	2016-4421-15-65-108-1220-51	80,275
22nd Century Community Learning Centers - Nichols, Old Orchard, Washington, Edison	84.287C	2017-4421-15-65-108-1220-51	414,163
		Subtotal Cluster 84.287C	1,274,762
		Subtotal	1,278,891
Department of Agriculture			
Illinois State Board of Education			
Child and Adult Care Food Program	10.558	65-108-1220-51	55,655
Summer Food Service Program for Children	10.559	65-108-1220-51	20,122
		Subtotal	75,777
			\$ 2,086,504

Note A: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Youth & Opportunity United, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Grant Guidance, "Audits of States, Local Governments, and Non-Profit Organization." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B: Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, Youth & Opportunity United, Inc. provided federal awards to subrecipients as follows:

Program Name	CFDA Number	Amount Provided
Basic Center Program	93.623	\$ 128,050
Street Outreach Program	93.557	\$ 60,345
Allied Against Violence	16.888	\$ 28,693

Note C: No amounts in the schedule of expenditures of federal awards above were expended in the form of non-cash assistance, insurance in force, or for loans and loan guarantee.

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 & Opportunity United, Inc.

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 & Opportunity United, Inc., which comprise the statement of financial position as of June 30, 2017, 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 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Youth & Opportunity United, Inc.'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 & Opportunity United, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Youth & Opportunity United, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 & Opportunity United, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
December 13, 2017

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

To the Board of Directors
Youth & Opportunity United, Inc.

Report on Compliance for Major Federal Program

We have audited Youth & Opportunity United, Inc.'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 & Opportunity United, Inc.'s major federal programs for the year ended June 30, 2017. Youth & Opportunity United, Inc.'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 & Opportunity United, Inc.'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 & Opportunity United, 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 each major federal program. However, our audit does not provide a legal determination of Youth & Opportunity United, Inc.'s compliance.

Opinion on Major Federal Program

In our opinion, Youth & Opportunity United, Inc. 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, 2017.

Report on Internal Control over Compliance

Management of Youth & Opportunity United, 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 & Opportunity United, Inc.'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 & Opportunity United, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
December 13, 2017

Youth & Opportunity United, Inc.

**Schedule of Findings and Questioned Costs
June 30, 2017**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Youth & Opportunity United, Inc.
2. No significant deficiencies related to the audit of the financial statements were reported in the 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. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Youth & Opportunity United, Inc. were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for Youth & Opportunity United, Inc. expresses an unmodified opinion.
6. There are no audit findings or questioned costs relative to the major federal award program required to be reported under Section 510(a) of OMB Uniform Guidance for Youth & Opportunity United, Inc.
7. The program tested as a major program included: Illinois State Board of Education: 21st Century Community Learning Centers Program, CFDA 84.287C.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Youth & Opportunity United, Inc. qualifies as a low-risk auditee.

B. Findings and Questioned Costs - Financial Statements Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

Youth & Opportunity United, Inc.

**Schedule of Prior Year Findings
June 30, 2017**

No prior year findings.



Independent Member of Nexia International

cohnreznick.com