Youth & Opportunity United, Inc.

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

June 30, 2016 and 2015

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

Youth & Opportunity United, Inc.

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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., which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of funding sources - income and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and the Uniform Guidance, "Audits of States, Local Governments, and Non-Profit Organizations," 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 November 23, 2016, 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. internal control over financial reporting and compliance.

CohnReznick LLP

Chicago, Illinois
November 23, 2016

Youth & Opportunity United, Inc.

Statements of Financial Position
June 30, 2016 and 2015

Assets

	2016	2015
Current assets		
Cash and cash equivalents	$ 500,348	$ 530,576
Cash - restricted (capital campaign)	3,205,812	1,896,396
Cash - restricted	582,535	402,943
Accounts receivable, net	352,551	348,724
Promises to give - pledges, net	135,897	76,946
Promises to give - capital campaign, net	228,003	207,360
Other current assets	22,505	20,151
Assets held for sale	423,000	-
Total current assets	5,450,651	3,483,096
Fixed assets		
Land	608,040	1,058,040
Building and building improvements, net	-	87,867
Office furniture and equipment, net	19,334	26,617
Construction in progress	1,174,190	260,577
Total fixed assets, net	1,801,564	1,433,101
Other assets		
Promises to give, less current portion, net	1,195,041	125,867
Endowment cash available to invest	375,300	-
Endowment investments	1,753,677	-
Total other assets	3,324,018	125,867
Total assets	$ 10,576,233	$ 5,042,064

Youth & Opportunity United, Inc.

Statements of Financial Position
June 30, 2016 and 2015

Liabilities and Net Assets

	2016	2015
Current liabilities		
Mortgage payable, current maturities	$ 223,327	$ 8,968
Accounts payable	96,642	165,700
Construction costs payable	336,364	-
Accrued salaries and related expenses	101,832	155,006
Accrued mortgage interest	1,642	1,642
Other accrued expenses	44,974	68,888
Other current liabilities	12,514	5,957
Total current liabilities	817,295	406,161
Long-term liabilities		
Mortgage payable, net of current maturities	-	278,228
Total long-term liabilities	-	278,228
Total liabilities	817,295	684,389
Net assets		
Unrestricted	797,120	746,218
Temporarily restricted	6,926,431	3,511,370
Permanently restricted	2,035,387	100,087
Total net assets	9,758,938	4,357,675
Total liabilities and net assets	$ 10,576,233	$ 5,042,064

See Notes to Financial Statements.

Youth & Opportunity United, Inc.

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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	4,424,524	353,392	-	4,777,916
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	4,373,622	-	-	4,373,622
Increase in net assets from operating activity	50,902	353,392	-	404,294
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	167,411	3,061,669	1,935,300	5,164,380
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	167,411	-	-	167,411
Increase in net assets from non-operating activity	-	3,061,669	1,935,300	4,996,969
Total increase in net assets	50,902	3,415,061	1,935,300	5,401,263
Net assets - beginning of year	746,218	3,511,370	100,087	4,357,675
Net assets - end of year	$ 797,120	$ 6,926,431	$ 2,035,387	$ 9,758,938

Youth & Opportunity United, Inc.

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activity				
Operating support and revenue				
Contributions	$ 587,341	$ 132,242	$ -	$ 719,583
Government revenue	2,187,571	-	-	2,187,571
United Way grant revenue	480,000	-	-	480,000
Special events	285,326	-	-	285,326
Donated services	46,001	-	-	46,001
Net assets released from restrictions	329,550	(329,550)	-	-
Net assets released from non-operating	161,236	-	-	161,236
Total operating support and revenue	4,077,025	(197,308)	-	3,879,717
Operating expenses				
Program services				
Youth and family services	3,095,396	-	-	3,095,396
Supporting services				
Management and general	506,803	-	-	506,803
Fundraising	286,496	-	-	286,496
Total operating expenses	3,888,695	-	-	3,888,695
Increase (decrease) in net assets from operating activity	188,330	(197,308)	-	(8,978)
Non-operating activity				
Non-operating support and revenue				
Contributions - capital campaign	-	1,408,760	60,000	1,468,760
Donated services and property	33,501	754,924	-	788,425
Net assets released from restrictions	109,425	(270,661)	-	(161,236)
Total non-operating support and revenue	142,926	1,893,023	60,000	2,095,949
Non-operating expenses				
Program services				
Youth and family services	111,925	-	-	111,925
Supporting services				
Fundraising	71,591	-	-	71,591
Total non-operating expenses	183,516	-	-	183,516
(Decrease) increase in net assets from non-operating activity	(40,590)	1,893,023	60,000	1,912,433
Total increase in net assets	147,740	1,695,715	60,000	1,903,455
Net assets - beginning of year	598,478	1,815,655	40,087	2,454,220
Net assets - end of year	$ 746,218	$ 3,511,370	$ 100,087	$ 4,357,675

See Notes to Financial Statements.

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
Occupany 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	$ 3,433,555	$ 694,813	$ 412,665	$ 4,541,033

Youth & Opportunity United, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program services	Supporting services		
	Youth and family services	Management and general	Fundraising	Total
Salaries and related expenses	$ 2,096,201	$ 247,595	$ 214,791	$ 2,558,587
Direct service providers	194,369	744	100	195,213
Partner grants and awards	262,112	3,630	-	265,742
Supplies and snacks	243,761	44,561	832	289,154
Transportation and field trips	59,053	5,032	300	64,385
Trainings and conferences	53,667	16,177	2,413	72,257
Communications	14,210	20,774	19,977	54,961
Professional fees	84,085	54,649	68,631	207,365
Occupany and insurance	87,280	44,435	7,749	139,464
Contributed services	46,001	33,501	-	79,502
Special events	-	6,168	42,341	48,509
Depreciation	-	24,513	-	24,513
Miscellaneous	66,582	5,024	953	72,559
Total functional expenses	$ 3,207,321	$ 506,803	$ 358,087	$ 4,072,211

See Notes to Financial Statements.

Youth & Opportunity United, Inc.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Increase in net assets	$ 5,401,263	$ 1,903,455
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,036	24,513
Contributions restricted for long-term purposes	(2,435,300)	(345,000)
Unrealized gain on investments	(126,630)	-
Donation of land	-	(608,040)
Donated capitalized services	(73,409)	(146,884)
Write-down of assets held for sale	99,114	-
Write-off of construction in progress	-	62,090
(Increase) decrease in operating assets:		
Accounts receivable, net	(3,827)	(77,408)
Promises to give - pledges, net	(58,951)	63,100
Promises to give - capital campaign, net	(1,089,817)	(56,684)
Other current assets	(2,354)	(13,158)
Increase (decrease) in operating liabilities:		
Accounts payable	(69,058)	55,787
Accrued salaries and related expenses	(53,174)	35,184
Other accrued expenses	(23,914)	102,392
Other current liabilities	6,557	-
Net cash provided by operating activities	1,593,536	999,347
Cash flows from investing activities		
Construction in progress	(503,840)	(135,193)
Purchases of endowment investments	(1,627,047)	-
Purchases of fixed assets	-	(39,778)
Net cash used in investing activities	(2,130,887)	(174,971)
Cash flows from financing activities		
Collections of contributions restricted for long-term purposes:		
Contributions restricted to long-term assets	875,000	285,000
Contributions restricted for endowments	1,560,300	60,000
Payments on mortgage payable	(63,869)	(9,428)
Net cash provided by financing activities	2,371,431	335,572
Net increase in cash	1,834,080	1,159,948
Cash, cash equivalents, and restricted cash, beginning of year	2,829,915	1,669,967
Cash, cash equivalents, and restricted cash, end of year	$ 4,663,995	$ 2,829,915
Significant noncash financing and investing activities		
Increase in fixed assets	$ (336,364)	$ -
Increase in construction costs payable	336,364	-
	$ -	$ -
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 14,014	$ 20,779

See Notes to Financial Statements.

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, 2016 and 2015, Y.O.U. received 24% and 37%, 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 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, 2016 and 2015 was $23,036 and $24,513, respectively.

	Estimated life	Method
Building	15 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 non-operating activities. Interest income and dividends are also reflected in the accompanying statements of activities as non-operating 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 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, 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, 2016 and 2015. 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 2013 remain open.

Reclassifications
Reclassifications 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
Donations made under the capital campaign have been classified as restricted cash and temporarily restricted net assets. This is a three-year campaign estimated to raise $15 million in two phases for building a new facility (see Note 6), programming, and financial sustainability. These donations will be temporarily restricted until the stipulations surrounding their use have been achieved. These donations, when received, have been segregated into a separate cash account. As of June 30, 2016 and 2015, $3,205,812 and $1,896,396, respectively, has been classified as capital campaign restricted cash.

Other
Y.O.U. is a member of a network of social service agencies that receive funds from the State of Illinois for various social service functions. In prior years, Y.O.U. also acted as the fiscal agent for the network. The amounts on the statements of financial position represent funds remaining in the custody of the network and are to be distributed upon member requests. As of June 30, 2016 and 2015, $0 and $5,957, respectively, was restricted for this purpose and is included in cash – restricted on the accompanying statements of financial position.

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, 2016 and 2015, $582,535 and $402,943, 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, 2016, $375,300 was available to invest.

Note 4 - Promises to give

Promises to give, less an appropriate allowance for uncollectable items, 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:

	2016	2015
Promises to give to be collected in:		
Less than one year	$ 375,965	$ 305,790
One to five years	1,018,475	125,867
Over five years	250,000	-
	1,644,440	431,657
Less:		
Discount to present value	(66,068)	-
Allowance for uncollectible amounts	(19,431)	(21,484)
Promises to give, net	1,558,941	410,173
Less current portion	(363,900)	(284,306)
Long-term portion	$ 1,195,041	$ 125,867

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, 2016:

Money market funds	$ 19,183
Equity mutual funds	1,163,955
Fixed income mutual funds	570,539
	$ 1,753,677

Investment return for the year ended June 30, 2016 is as follows:

Interest and dividend income	$ 10,434
Unrealized gains	126,630
Investment return	$ 137,064

Note 6 - Construction in progress

In 2009, management decided to pursue a capital building project of the Organization's facility at 1027 Sherman Avenue in Evanston, IL. Costs incurred in connection with this project were being capitalized as incurred. During the year ended June 30, 2014, management decided to pursue a new capital building project for an office building at 1101 Dodge Avenue in Evanston, IL. Costs previously incurred and capitalized on the 1027 Sherman Avenue building of $15,932 were expensed in 2014 in conjunction with this decision. During the year ended June 30, 2015, the Organization received a donation of land to be used as their new headquarters facility at 1911 Church Street in Evanston, IL. At this time, management decided to abandon the plans at 1101 Dodge Avenue, and $62,090 of costs related to that parcel of land were expensed in conjunction with this decision. The amounts currently in construction in progress only relate to costs incurred in connection with building plans still anticipated to be pursued at 1911 Church Street.

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 a new office and facilities building at 1911 Church Street in Evanston, IL. The construction contract is in the original amount of $4,574,861, and approved change orders total $17,669. During the year ended June 30, 2016, construction costs in the amount of $583,872 were incurred. As of June 30, 2016, construction costs of $302,409 remain payable to Leopard Companies, Inc.

Note 8 - Assets held for sale

During the year ended June 30, 2016, management committed to a plan to sell certain assets. Due to the construction of a new facility, the existing property at 1027 Sherman Avenue in Evanston, IL would be sold. On September 26, 2016, Y.O.U. entered into a Purchase and Sale Agreement with an unrelated third party for the 1027 Sherman Ave property, with a purchase price of $430,000. The transaction is expected to close on December 1, 2016 and estimated closing costs are expected to be $7,000. As a result of the transaction, the Organization has written down the carrying value of the related land, building and building improvements to its fair value less costs to sell of $423,000 as of June 30, 2016. 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 in the amount of $423,000.

Note 9 - Mortgage payable

The mortgage note is held by First Bank and Trust in the original amount of $307,972 and is dated December 1, 2012. The note carried a 6.48% interest rate and monthly payments of principal and interest are due. On October 1, 2015, the mortgage note was modified for a more favorable interest rate of 4.95% and the maturity date remains December 1, 2016. The note is based on a 25-year amortization schedule, and upon maturity, any unpaid principal and interest is due. The note is collateralized by the 1027 Sherman Avenue property. As of June 30, 2016 and 2015, the mortgage payable balance is $223,327 and $287,196, respectively. The Organization plans to use the proceeds from the sale of their current headquarters building at 1027 Sherman Avenue to pay off the remaining balance.

Note 10 - Line of credit

Y.O.U. has a line of credit with First Bank and Trust in the amount of $150,000. Interest is payable monthly at the Prime Rate plus 0.5%, subject to a 4% minimum. The Prime Rate plus 0.5% was 4.00% and 3.75% as of June 30, 2016 and 2015, respectively. The line of credit is collateralized by the business assets of Y.O.U. As of June 30, 2016 and 2015, no amounts were drawn against the line of credit. The line of credit expires on May 21, 2017.

On March 1, 2016, Y.O.U. entered into a line of credit agreement with First Bank and Trust in the amount of $2,000,000. Interest is payable monthly at the Prime Rate. The Prime Rate was 3.50% and 3.25% of June 30, 2016 and 2015, respectively. The line of credit is collateralized by the business assets of Y.O.U. As of June 30, 2016 and 2015, no amounts were drawn against the line of credit. The line of credit expires June 30, 2017.

Note 11 - Temporarily restricted net assets

A summary of the temporarily restricted net assets account activity for the fiscal years ended June 30, 2016 and 2015 are as follows:

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

June 30, 2015	Beginning balance	Additions	Releases	Transfer	Ending balance
Net assets - temporarily restricted	$ 1,815,655	$ 2,295,926	$ (600,211)	$ -	$ 3,511,370

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 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 nets assets as of and for the year ended June 30, 2016 is as follows:

	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	10,434	-	10,434
Net appreciation (realized and unrealized)	126,630	-	126,630
Total investment return	137,064	-	137,064
Contributions	-	1,995,300	1,995,300
Endowment net assets, end of year	$ 137,064	$ 1,995,300	$ 2,132,364

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, 2016 or 2015.

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 fiscal year ended June 30, 2015, Y.O.U. received land with a fair market value of $608,040 in conjunction with the capital campaign. During the fiscal years ended June 30, 2016 and 2015, Y.O.U. received legal, architectural, and clinical supervision services with a value of $168,596 and $226,386, respectively. The value of such services is included as donated services in the accompanying statements of activities. In addition, Y.O.U. received 2,812 and 1,551 hours of volunteer service for the years ended June 30, 2016 and 2015, respectively, which are not considered specializing or enhancing to a non-financial asset and are therefore not recorded in the financial statements.

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 fiscal years ended June 30, 2016 and 2015 were $22,400 and $21,600, 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 fiscal years ended June 30, 2016 and 2015 were $29,100 and $9,600, respectively. Estimated lease payments for the year ending June 30, 2017 total $33,675.

Note 15 - Concentration of revenue

A substantial portion of Y.O.U.'s revenue is from one and two grantors during the fiscal years ended June 30, 2016 and 2015, respectively. 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. During the years ended June 30, 2016 and 2015, revenue received from those grantors was $1,582,905, or 16% of total revenue, and $1,277,024, or 21% 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, 2016.

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 November 23, 2016 (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, 2016

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	$ 199,722
Steet Outreach Program (Note B)	93.557	N/A - Direct	176,915
Illinois Department of Human Services			
Comprehensive Community Based Youth Services	93.667	FCSTR01044	12,983
		Subtotal	389,620
Corporation for National & CommunityService			
Illinois Department of Public Health			
Americorps	94.006	573800026C	22,146
Americorps	94.006	673800026D	117,292
		Subtotal	139,438
Department of Justice:			
Office on Violence Against Women			
Allied Against Violence (Note B)	16.888	N/A - Direct	74,881
Department of Education			
Illinois State Board of Education			
Loyola America Reads Program	84.033	N/A	8,467
21st Century Community Learning Centers - ETHS	84.287C	2015-4421-35-65-108-1220-51	40,325
21st Century Community Learning Centers - ETHS	84.287C	2016-4421-35-65-108-1220-51	101,201
21st Century Community Learning Centers - Lincoln	84.287C	2015-4421-13-65-108-1220-51	28,322
21st Century Community Learning Centers - Lincoln	84.287C	2016-4421-13-65-108-1220-51	109,596
21st Century Community Learning Centers - King Arts	84.287C	2015-4421-31-65-108-1220-51	22,867
21st Century Community Learning Centers - King Arts	84.287C	2016-4421-31-65-108-1220-51	114,995
21st Century Community Learning Centers - Dawes	84.287C	2015-4421-32-65-108-1220-51	22,776
21st Century Community Learning Centers - Dawes	84.287C	2016-4421-32-65-108-1220-51	93,139
21st Century Community Learning Centers - Chute, Oakton, Walker	84.287C	2015-4421-25-65-108-1220-51	76,735
22nd Century Community Learning Centers - Chute, Oakton, Walker	84.287C	2016-4421-25-65-108-1220-51	311,159
21st Century Community Learning Centers - Nichols, Old Orchard, Washington, Edison	84.287C	2015-4421-15-65-108-1220-51	141,292
22nd Century Community Learning Centers - Nichols, Old Orchard, Washington, Edison	84.287C	2016-4421-15-65-108-1220-51	423,726
		Subtotal	1,486,133
Department of Agriculture			
Illinois State Board of Education			
Child and Adult Care Food Program (Nutrition)	10.558	65-108-1220-51	88,306
		Subtotal	88,306
			$ 2,186,846

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	$ 124,956
Street Outreach Program	93.557	$ 76,502
Allied Against Violence	16.888	$ 25,916

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 guarantees outstanding at year-end.

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, 2016, 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 November 23, 2016.

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.

CohnReznick LLP

Chicago, Illinois
November 23, 2016

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, 2016. 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, 2016.

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.

CohnReznick LLP

Chicago, Illinois
November 23, 2016

Youth & Opportunity United, Inc.

Schedule of Findings and Questioned Costs
June 30, 2016

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, 2016

No prior year findings.

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