

FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
YOUTH ENVIRONMENTAL SERVICES, INC.

December 31, 2017 and 2016

YOUTH ENVIRONMENTAL SERVICES, INC.

December 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
Youth Environmental Services, Inc.

We have audited the statements of financial position of Youth Environmental Services, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

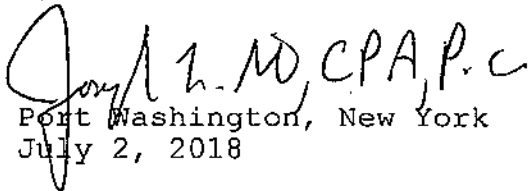
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Environmental Services, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Joseph L. Gib, CPA, P.C.
Port Washington, New York
July 2, 2018

Youth Environmental Services, Inc.
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|---|--------------|--------------|
| | 2017 | 2016 |
| Current assets | | |
| Cash | \$ 1,106,287 | \$ 1,098,309 |
| Grants receivable | 814,840 | 678,813 |
| Patient receivables | 30,879 | 21,405 |
| Other receivables | 7,531 | 7,715 |
| Prepaid expenses | 14,084 | 12,001 |
| Total current assets | 1,973,621 | 1,818,243 |
| Property and equipment, less accumulated depreciation of \$785,142 in 2017 and \$687,695 in 2016 | 1,667,051 | 1,613,243 |
| Total Assets | \$ 3,640,672 | \$ 3,431,486 |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|--------------|--------------|
| Current liabilities | | |
| Accounts payable | \$ 149,807 | \$ 86,461 |
| Accrued payroll and taxes | 87,667 | 88,477 |
| Grants received in advance (Note A-1) | - | 43,211 |
| Total current liabilities | 237,474 | 218,149 |
| Net assets - unrestricted | 3,403,198 | 3,213,337 |
| Total Liabilities and Net Assets | \$ 3,640,672 | \$ 3,431,486 |

The accompanying notes are an integral part of these financial statements.

Youth Environmental Services, Inc.
STATEMENTS OF ACTIVITIES

| | Years Ended December 31, | |
|--|-----------------------------|--------------|
| | 2017 | 2016 |
| Support and revenue | | |
| Public support: | | |
| Government grants | \$ 1,974,022 | \$ 1,918,752 |
| Other grants | 144,207 | 113,885 |
| Contributions | 73,487 | 85,839 |
| Fundraising | 57,030 | 19,672 |
| Total public support | 2,248,746 | 2,138,148 |
| Other revenue | | |
| Program fees | 640,080 | 476,698 |
| Interest | 4,065 | 1,686 |
| Total other revenue | 644,145 | 478,384 |
| Total public support & other revenue | 2,892,891 | 2,616,532 |
| Expenses: | | |
| Salaries and wages | 1,847,413 | 1,728,573 |
| Payroll taxes and employee benefits | 356,463 | 332,303 |
| Telephone and utilities | 30,075 | 30,646 |
| Equipment and furniture expenses | 7,139 | 11,908 |
| Rent | - | 1,973 |
| Supplies | 41,473 | 31,480 |
| Fees, dues and sundry | 57,745 | 38,716 |
| Professional fees | 96,673 | 78,964 |
| Insurance | 26,931 | 26,503 |
| Depreciation | 97,447 | 92,371 |
| Miscellaneous | 11,792 | 5,680 |
| Transportation and travel | 10,000 | 7,196 |
| Fundraising expenses | 17,019 | 4,810 |
| Grant expenses | 18,554 | 10,471 |
| Staff training | 955 | 700 |
| Maintenance | 17,252 | 19,514 |
| Contractual Services | 66,099 | 23,193 |
| Total expenses | 2,703,030 | 2,445,001 |
| Change in net assets | 189,861 | 171,531 |
| Other changes in unrestricted net assets | - | 1,489 |
| Net assets, beginning of year | 3,213,337 | 3,040,317 |
| Net assets, end of year | \$ 3,403,198 | \$ 3,213,337 |

The accompanying notes are an integral part of these financial statements.

Youth Environmental Services, Inc.
STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|--|-----------------------------|--------------|
| | 2017 | 2016 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 189,861 | \$ 171,531 |
| Adjustment to reconcile excess of net assets to net cash provided by operating activities: | | |
| Depreciation | 97,447 | 92,371 |
| (Increase) Decrease in: | | |
| Grants receivable | (136,027) | (36,371) |
| Patient receivables | (9,474) | (4,760) |
| Other receivables | 184 | 451 |
| Prepaid expenses | (2,083) | 13,629 |
| Security deposit | - | 1,973 |
| (Decrease) Increase in: | | |
| Accounts payable | 63,346 | 77,852 |
| Accrued payroll and taxes | (810) | 15,014 |
| Grants received in advance | (43,211) | 42,795 |
| Net cash provided by operating activities | 159,233 | 374,485 |
| Cash flow from investing activities: | | |
| Purchase of property and equipment | (151,255) | (141,645) |
| Net cash (used) by investing activities | (151,255) | (141,645) |
| Net increase in cash | 7,978 | 232,840 |
| Other changes in unrestricted net assets | - | 1,489 |
| Cash at beginning of year | 1,098,309 | 863,980 |
| Cash at end of year | \$ 1,106,287 | \$ 1,098,309 |

The accompanying notes are an integral part of these financial statements.

Youth Environmental Services, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

| | Drug & Alcohol Services | Other Program Services | Total | Management and General | Fundraising | Total |
|-------------------------------------|-------------------------|------------------------|--------------|------------------------|-------------|--------------|
| Expenses | | | | | | |
| Salaries and wages | \$ 957,178 | \$ 873,004 | \$ 1,830,182 | \$ 17,231 | \$ - | \$ 1,847,413 |
| Payroll taxes and employee benefits | 215,788 | 139,370 | 355,158 | 1,305 | - | 356,463 |
| Total payroll and employee benefits | 1,172,966 | 1,012,374 | 2,185,340 | 18,536 | - | 2,203,876 |
| Telephone and utilities | 14,015 | 16,060 | 30,075 | - | - | 30,075 |
| Equipment and furniture expenses | 4,782 | 2,357 | 7,139 | - | - | 7,139 |
| Supplies | 18,484 | 22,989 | 41,473 | - | - | 41,473 |
| Fees, dues and sundry | 12,063 | 45,294 | 57,357 | 388 | - | 57,745 |
| Professional fees | 72,773 | 23,235 | 96,008 | 665 | - | 96,673 |
| Insurance | 15,465 | 11,466 | 26,931 | - | - | 26,931 |
| Miscellaneous | 2,174 | 7,435 | 9,609 | 2,183 | - | 11,792 |
| Transportation and travel | 1,331 | 8,669 | 10,000 | - | - | 10,000 |
| Fundraising expenses | - | - | - | - | 17,019 | 17,019 |
| Grant expenses | - | 17,972 | 17,972 | 582 | - | 18,554 |
| Staff training | 725 | 230 | 955 | - | - | 955 |
| Maintenance | 15,547 | 1,705 | 17,252 | - | - | 17,252 |
| Contractual services | 18,967 | 47,132 | 66,099 | - | - | 66,099 |
| Total before depreciation | 1,349,292 | 1,216,918 | 2,566,210 | 22,354 | 17,019 | 2,605,583 |
| Depreciation | - | - | - | 97,447 | - | 97,447 |
| Total expenses | \$ 1,349,292 | \$ 1,216,918 | \$ 2,566,210 | \$ 119,801 | \$ 17,019 | \$ 2,703,030 |

The accompanying notes are an integral part of these financial statements.

Youth Environmental Services, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

| | Drug & Alcohol Services | Other Program Services | Total | Management and General | Fundraising | Total |
|-------------------------------------|-------------------------|------------------------|--------------|------------------------|-------------|--------------|
| Expenses | | | | | | |
| Salaries and wages | \$ 802,180 | \$ 767,333 | \$ 1,569,513 | \$ 159,060 | \$ - | \$ 1,728,573 |
| Payroll taxes and employee benefits | 166,938 | 147,299 | 314,237 | 18,066 | - | 332,303 |
| Total payroll and employee benefits | 969,118 | 914,632 | 1,883,750 | 177,126 | - | 2,060,876 |
| Telephone and utilities | 14,920 | 12,906 | 27,826 | 2,820 | - | 30,646 |
| Equipment and furniture expenses | 6,893 | 5,015 | 11,908 | - | - | 11,908 |
| Rent | 1,973 | - | 1,973 | - | - | 1,973 |
| Supplies | 17,486 | 13,994 | 31,480 | - | - | 31,480 |
| Fees, dues and sundry | 8,262 | 30,454 | 38,716 | - | - | 38,716 |
| Professional fees | 65,495 | 11,445 | 76,940 | 2,024 | - | 78,964 |
| Insurance | 16,184 | 10,319 | 26,503 | - | - | 26,503 |
| Miscellaneous | 568 | 5,112 | 5,680 | - | - | 5,680 |
| Transportation and travel | 909 | 6,287 | 7,196 | - | - | 7,196 |
| Fundraising expenses | - | - | - | - | 4,810 | 4,810 |
| Grant expenses | - | 10,471 | 10,471 | - | - | 10,471 |
| Staff training | 375 | 325 | 700 | - | - | 700 |
| Maintenance | 15,369 | 2,350 | 17,719 | 1,795 | - | 19,514 |
| Contractual services | 17,435 | 5,758 | 23,193 | - | - | 23,193 |
| Total before depreciation | 1,134,987 | 1,029,068 | 2,164,055 | 183,765 | 4,810 | 2,352,630 |
| Depreciation | - | - | - | 92,371 | - | 92,371 |
| Total expenses | \$ 1,134,987 | \$ 1,029,068 | \$ 2,164,055 | \$ 276,136 | \$ 4,810 | \$ 2,445,001 |

The accompanying notes are an integral part of these financial statements.

Youth Environmental Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Youth Environmental Services, Inc. (the Organization) is incorporated under the laws of the State of New York as a nonprofit corporation to actively intervene in the lives of young people and their families by offering services that are preventive in nature and supportive in time of crisis.

The Board of Directors of the Organization manages all funds held by the Organization in accordance with its act of incorporation.

The Organization is a tax-exempt organization and is not subject to Federal and State income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code.

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below.

1. Revenue recognition

Government grants from funding sources are received as cost reimbursements from New York State under nine contracts administered by the Office of Alcoholism and Substance Abuse Services (OASAS), the County of Nassau Department of Human Services office of Youth Services, Town of Oyster Bay, Town of Hempstead, Massapequa School District and the County of Nassau Department of Human Services Office of Mental Health, Chemical Dependency and Developmental Disabilities Services. These advances are recognized as revenue when the funding source has approved the costs submitted for reimbursement under the respective contract.

Counseling fees are recognized as income once the services are performed and billed to the patient. Other contributions are recognized as income when received. Interest income is recognized when earned.

2. Concentration of Credit Risk

The Organization at times may maintain cash balances in excess of \$250,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, there was \$152,282 and \$260,862 of uninsured balances respectively.

Youth Environmental Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

3. Property and Equipment

The Organization generally follows the practice of capitalizing all expenditures for furniture, equipment and significant improvements in excess of \$500. Property and equipment including significant improvements thereto, is recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. The cost of property and equipment is depreciated over the estimated useful lives using the straight-line method.

4. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

5. Uncertain Tax Positions

The Organization adapted the income standard related to the recognition and measurement of uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2017. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Youth Environmental Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Organization is no longer subject to income tax examinations for years prior to the year ended December 31, 2014. If incurred the Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

6. Subsequent Events

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are issued, which was June 27, 2018 for these financial statements. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financials.

NOTE B - PROPERTY AND EQUIPMENT

The major classes of property and equipment recorded at cost, are as follows:

| | December 31, 2017 | 2016 | Estimated Useful Life |
|-------------------------------|----------------------|--------------------|--------------------------|
| Land | \$ 293,490 | \$ 293,490 | |
| Building - Levittown | 1,027,120 | 1,027,120 | 20-39 |
| Building - Massapequa | 562,500 | 562,500 | 20-39 |
| Building improvements | 253,483 | 193,704 | 11 |
| Building closing costs | 11,712 | 11,712 | 5 |
| Equipment | 263,453 | 173,967 | 3 |
| Furniture and fixtures | 40,435 | 38,445 | 5-7 |
| | <u>2,452,193</u> | <u>2,300,938</u> | |
| Less accumulated depreciation | <u>(785,142)</u> | <u>(687,695)</u> | |
| | <u>\$1,667,051</u> | <u>\$1,613,243</u> | |

NOTE C - SIMPLIFIED EMPLOYEE PENSION (SEP) PLAN

The Organization sponsors a Simplified Employee Pension (SEP) Plan. Employer contributions under this Plan shall be at the Employer's discretion and based upon the total compensation of each participant. Eligibility requires the employee to have attained the age of twenty-one (21) and to have performed services for the employer in three of the five plan years immediately preceding the plan year for which the contribution is to be made. Elective contributions are not permitted. Contributions were \$69,277 in 2017 and \$60,398 in 2016.