YES Community Counseling Center

YOUTH ENVIRONMENTAL SERVICES, INC.

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

YOUTH ENVIRONMENTAL SERVICES, INC.
INDEX TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Youth Environmental Services, Inc. (the "Organization", a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Environmental Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2023 on our consideration of the Organization's internal control over financial reporting and 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 the Organization's internal control over financial reporting and compliance.

Emphasis-of-Matter

As discussed in Note 3 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with resect to the matter.

Hauppauge, New York
July 15, 2023

Nawrocki Smith LLP

YOUTH ENVIRONMENTAL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,952,470	$ 1,936,355
Grants receivable	877,071	668,978
Patient receivables	87,726	60,714
Other receivables	5,886	7,129
Prepaid expenses	29,174	23,917
Total current assets	2,952,327	2,697,093
FIXED ASSETS, net of accumulated depreciation and amortization of $1,423,558 and $1,278,579, respectively	1,466,056	1,585,367
RIGHT-OF-USE LEASED ASSET - operating	5,017	-
OTHER ASSETS	1,000	-
Total noncurrent assets	1,472,073	1,585,367
Total assets	$ 4,424,400	$ 4,282,460
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of lease payable - operating	$ 1,226	$ -
Accounts payable	49,065	66,135
Accrued payroll and taxes	261,061	180,139
Compensated absences	67,584	54,519
Deferred revenue	89,990	19,958
Total current liabilities	468,926	320,751
LEASE PAYABLE - operating, net of current portion	3,791	-
Total liabilities	472,717	320,751
NET ASSETS:		
Without donor restrictions	3,951,683	3,961,709
Total liabilities and net assets	$ 4,424,400	$ 4,282,460

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

YOUTH ENVIRONMENTAL SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES:		
Government contracts	$ 3,059,888	$ 2,638,029
Program fees	709,461	667,684
In-kind	123,618	120,176
Other grants	97,502	102,347
Contributions	86,119	103,495
Fundraising	26,959	57,264
Interest	3,171	2,561
Total revenues	4,106,718	3,691,556
EXPENSES:		
Program services	3,447,346	2,802,006
Management and general	668,102	699,529
Fundraising	1,296	11,025
Total expenses	4,116,744	3,512,560
Change in net assets	(10,026)	178,996
NET ASSETS, BEGINNING OF YEAR	3,961,709	3,782,713
NET ASSETS, END OF YEAR	$ 3,951,683	$ 3,961,709

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

YOUTH ENVIRONMENTAL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
	Program Services					Program Services				
	Drug & Alcohol Services	Other Program Services	Management and General	Fundraising	Total	Drug & Alcohol Services	Other Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,027,366	$ 1,359,054	$ 392,277	$ -	$ 2,778,697	$ 954,206	$ 978,004	$ 434,463	$ -	$ 2,366,673
Payroll taxes and employee benefits	247,414	253,885	82,403	-	583,702	226,036	183,829	92,160	-	502,025
Total payroll and payroll related	1,274,780	1,612,939	474,680	-	3,362,399	1,180,242	1,161,833	526,623	-	2,868,698
Contractual services	47,899	121,374	-	-	169,273	50,062	122,240	-	-	172,302
In-kind	-	123,618	-	-	123,618	-	120,176	-	-	120,176
Professional fees	12,803	12,185	37,650	-	62,638	12,570	-	18,050	-	30,620
Grants	-	50,841	-	-	50,841	-	2,906	-	-	2,906
Insurance	23,789	15,702	3,856	-	43,347	19,238	12,264	3,244	-	34,746
Telephone and utilities	24,450	12,140	4,741	-	41,331	19,687	11,637	4,058	-	35,382
Supplies	7,916	23,712	-	-	31,628	7,939	23,442	-	-	31,381
Miscellaneous	618	27,884	-	-	28,502	1,724	15,720	5,219	-	22,663
Fees, dues and sundry	7,413	5,563	2,196	-	15,172	9,734	3,264	2,763	-	15,761
Maintenance	11,394	2,945	-	-	14,339	13,306	2,355	-	-	15,661
Staff training	1,080	11,586	-	-	12,666	569	10	-	-	579
Transportation and travel	442	7,154	-	-	7,596	-	412	-	-	412
Equipment and furniture	4,577	2,542	-	-	7,119	6,480	4,196	-	-	10,676
Fundraising	-	-	-	1,296	1,296	-	-	-	11,025	11,025
Total operating expenses	1,417,161	2,030,185	523,123	1,296	3,971,765	1,321,551	1,480,455	559,957	11,025	3,372,988
Depreciation and amortization	-	-	144,979	-	144,979	-	-	139,572	-	139,572
Total expenses	$ 1,417,161	$ 2,030,185	$ 668,102	$ 1,296	$ 4,116,744	$ 1,321,551	$ 1,480,455	$ 699,529	$ 11,025	$ 3,512,560

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

YOUTH ENVIRONMENTAL SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (10,026)	$ 178,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	144,979	139,572
(Increase) decrease in grants receivable	(208,093)	86,804
(Increase) decrease in patient receivables	(27,012)	13,171
(Increase) decrease in other receivables	1,243	(2,553)
Increase in prepaid expenses	(5,257)	(2,832)
Increase in other assets	(1,000)	-
Increase (decrease) in accounts payable	(17,070)	47,221
Increase in accrued payroll and taxes	80,922	27,810
Increase (decrease) in compensated absences	13,065	(37,243)
Increase in deferred revenue	70,032	19,958
Net cash provided by operating activities	41,783	470,904
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(25,668)	(130,120)
Net cash used by investing activities	(25,668)	(130,120)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,115	340,784
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,936,355	1,595,571
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,952,470	$ 1,936,355
SUPPLEMENTAL CASH FLOW INFORMATION:		
Acquisition of right-of-use asset	$ 5,236	$ -

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

(1) <u>Organization and operation</u>

Youth Environmental Services, Inc. (the "Organization") is incorporated under the laws of the State of New York as a nonprofit organization 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's mission is to assist young people and adult community members in an effort to enable them to develop to their potential. The services are comprehensive and designed to respond to the complex needs of clients and their family members.

(2) <u>Summary of significant accounting policies</u>:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization's programs and administration for the year ended December 31, 2022 and 2021. The following is a summary of significant accounting policies followed by the Organization:

<u>Financial statement presentation</u> -

The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization's net assets consist of the following:

> <u>Without donor restrictions</u> - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.
>
> <u>With donor restrictions</u> - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization did not possess any net assets with donor restrictions as of December 31, 2022 and 2021.

As required by U.S. generally accepted accounting principles, the Organization has also presented a Statement of Cash Flows for the years ended December 31, 2022 and 2021.

<u>Cash and cash equivalents</u> -

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

<u>Grants and patient receivables</u> -

Grants and patient receivables are comprised of Federal, State, and various other monies expected to be received within the upcoming year.

Fixed assets -

Fixed assets are capitalized at cost or, if donated, at fair market value as of the date of receipt. The Organization capitalizes expenditures for purchases of furniture, fixtures, and equipment in excess of $500. Depreciation and amortization are computed by using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20-39 years
Building improvements	11 years
Equipment	3 years
Furniture and fixtures	5-7 years

Liquidity considerations -

Quantitative

As of December 31, 2022, the Organization has $2,927,327 of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date, which consists of the current assets per the Statement of Financial Position.

Qualitative

As of December 31, 2022, the Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet one month of normal operating expenses, which are, on average, approximately $315,000.

Conditional asset retirement obligations -

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for conditional asset retirement obligations requires entities to recognize a liability for the fair value of a legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2022 and 2021, management believes the Organization has met the provisions and is in compliance with these standards.

Right-of-use assets and lease liabilities -

The Organization determines if an arrangement is a lease at inception. Leases are included in right-of-use ("ROU") assets in the Statements of Financial Position.

ROU assets represent the Organizations right to use an underlying asset for the lease term and lease liabilities represent the Organizations obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the Statements of Financial Position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use the risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liabilities.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Impairment of long-lived assets and long-lived assets to be disposed of -

The Organization follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets. It requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These provisions did not have an impact on the Organization's financial position, results of activities or liquidity during the year ended December 31, 2022 and 2021.

Revenue recognition -

The following are the significant revenue recognition accounting policies of the Organization:

Government contracts and program services - Revenue under government contracts and program service revenue are reported at amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing services. Revenue is recognized as performance obligations are satisfied.

Grants and contributions - Grants and contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from restriction. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Functional allocation of expenses -

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include: salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort. All other expenses are allocated on a systematic and rational basis.

Income taxes -

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Estimates include accounts receivable valuation allowances, depreciation, amortization and certain accrued expenses. Actual results may differ from those estimates.

(3) New accounting standard

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

(4) Fixed assets

Fixed assets as of December 31, 2022 and 2021 are comprised of the following:

	2022	2021
Land	$ 293,490	$ 293,490
Buildings	1,589,620	1,589,620
Building improvements	600,934	596,038
Equipment	367,464	346,692
Furniture and fixtures	38,106	38,106
	2,889,614	2,863,946
Less: accumulated depreciation and amortization	(1,423,558)	(1,278,579)
	$ 1,466,056	$ 1,585,367

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was $144,979 and $139,572, respectively.

(5) Leases

The Organization leases a copy machine under a long-term, non-cancelable lease agreement. The lease expires in October 2026. In the normal course of business, it is expected that leases will be renewed or replaced by similar leases. Rental expense recognized under this operating lease was $238 for the year ended December 31, 2022.

The following table provides quantitative information concerning the Organization's leases accounted for under FASC ASC 842:

Lease costs:	
Operating lease cost	$ 238
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from leases	$ 238
Right-of-use assets obtained in exchange for new lease liabilities	$ 5,236
Weighted-average remaining lease term	3.83 years
Weighted-average discount rate	4.52%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

Year Ending December 31:	
2023	$ 1,428
2024	1,428
2025	1,428
2026	1,190
Total lease payments	5,474
Less: present value discount	(457)
Present value of lease liabilities	$ 5,017

(6) Concentrations of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

(7) Commitments and contingencies:

Government grants and contracts -

The Organization receives a portion of its funding from contracts and grants which are subject to audit by government agencies. Such audits may result in disallowances and a request for a return of funds. In addition, numerous contracts are funded on a cost reimbursement basis. Delays in receiving related funding may result in increased borrowings and related interest costs on the part of the Organization. It is the opinion of management that the effect of disallowances, if any, would be immaterial to the Organization's financial position.

(8) Subsequent events

The Organization has evaluated subsequent events through July 15, 2023, which is the date these financial statements were available to be issued, noting no additional matters requiring consideration.