

**YOUNG PEOPLE IN RECOVERY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**YOUNG PEOPLE IN RECOVERY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

August 30, 2019

Independent Auditors' Report

Board of Directors  
Young People in Recovery  
Denver, Colorado

We have audited the accompanying financial statements of **Young People in Recovery** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young People in Recovery as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

Other auditors previously audited Young People in Recovery's 2017 financial statements and they expressed an unqualified opinion in their report dated September 12, 2018. Apart from the reclassification adjustment described in footnote #4, in our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial information from which it has been derived.

*Taylor, Roth and Company PLLC*  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**YOUNG PEOPLE IN RECOVERY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 464,454	\$ 355,505
Contracts receivable	75,832	49,977
Foundation grants and contributions receivable	10,000	305,000
Prepaid expenses	<u>1,012</u>	<u>11,260</u>
Total assets	<u><u>\$ 551,298</u></u>	<u><u>\$ 721,742</u></u>
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 11,519	\$ 2,932
Accrued payroll liabilities	<u>33,967</u>	<u>28,672</u>
Total liabilities	<u>45,486</u>	<u>31,604</u>
 <u>Net assets</u>		
Without donor restrictions (Note 4)	183,852	297,291
With donor restrictions (Note 4 and 5)	<u>321,960</u>	<u>392,847</u>
Total net assets	<u>505,812</u>	<u>690,138</u>
Total liabilities and net assets	<u><u>\$ 551,298</u></u>	<u><u>\$ 721,742</u></u>

The accompanying notes are an integral part of these financial statements

**YOUNG PEOPLE IN RECOVERY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Program grants and contracts (Note 6)	\$ 675,572	\$ -	\$ 675,572	\$ 611,416
Foundations grants	150,840	12,850	163,690	888,593
Corporate sponsorships	60,000	-	60,000	350
Corporate contributions	883	51,000	51,883	62,000
Board member contributions	16,350	25,000	41,350	75,560
Chapter donations	-	25,902	25,902	56,872
Individual contributions	16,586	-	16,586	15,220
Other income	1,073	-	1,073	2,406
Interest income	130	-	130	617
In-kind contributions (Note 7)	69,721	-	69,721	-
Net assets released from restrictions (Note 8)	185,639	(185,639)	-	-
<b>Total revenue and other support</b>	<b>1,176,794</b>	<b>(70,887)</b>	<b>1,105,907</b>	<b>1,713,034</b>
<u>Expense</u>				
<u>Program services</u>				
National operations	896,628	-	896,628	708,504
Chapter operations	74,455	-	74,455	129,292
<b>Total program services</b>	<b>971,083</b>	<b>-</b>	<b>971,083</b>	<b>837,796</b>
<u>Supporting services</u>				
Management and general	279,787	-	279,787	98,190
Fund-raising	39,363	-	39,363	150,133
<b>Total expense</b>	<b>1,290,233</b>	<b>-</b>	<b>1,290,233</b>	<b>1,086,119</b>
<b>Change in net assets</b>	<b>(113,439)</b>	<b>(70,887)</b>	<b>(184,326)</b>	<b>626,915</b>
Net assets, beginning of year	297,291	392,847	690,138	63,223
<b>Net assets, end of year</b>	<b>\$ 183,852</b>	<b>\$ 321,960</b>	<b>\$ 505,812</b>	<b>\$ 690,138</b>

The accompanying notes are an integral part of these financial statements

**YOUNG PEOPLE IN RECOVERY**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

Description	2018					2017	
	Program			Supporting Services		Total	Total
	National Operations	Chapter Operations	Total Program	Management and General	Fund-raising		
Salaries	\$ 526,971	\$ 40,143	\$ 567,114	\$ 164,862	\$ 10,821	\$ 742,797	\$ 629,741
Payroll taxes and benefits	83,638	5,744	89,382	32,261	1,405	123,048	104,516
Subcontractor fees	87,602	9,881	97,483	5,734	224	103,441	105,546
Legal and accounting services	70,521	-	70,521	39,764	-	110,285	71,624
Travel and lodging	64,491	4,445	68,936	1,727	679	71,342	60,795
Conference fees and costs	27,400	86	27,486	-	-	27,486	-
Fundraising consultant	-	-	-	-	24,394	24,394	13,185
Postage and printing	16,582	1,638	18,220	1,987	1,800	22,007	14,733
Information technology	293	-	293	9,834	-	10,127	6,344
Insurance	-	-	-	9,897	-	9,897	6,777
Advertising and marketing	3,610	2,369	5,979	3,017	-	8,996	4,254
Rent and occupancy	1,500	-	1,500	6,920	-	8,420	2,040
Office	5,783	1,777	7,560	303	-	7,863	14,748
Chapter expenses	-	4,507	4,507	-	-	4,507	7,609
Meetings	2,067	1,626	3,693	-	-	3,693	18,572
Dues and subscriptions	324	233	557	3,071	40	3,668	8,945
Sponsorships	1,750	1,750	3,500	100	-	3,600	7,300
Other program costs	2,847	52	2,899	-	-	2,899	711
Training costs	1,204	158	1,362	-	-	1,362	3,717
Interest and bank fees	45	46	91	310	-	401	4,962
<b>Total expenses</b>	<b>\$ 896,628</b>	<b>\$ 74,455</b>	<b>\$ 971,083</b>	<b>\$ 279,787</b>	<b>\$ 39,363</b>	<b>\$1,290,233</b>	<b>\$1,086,119</b>

The accompanying notes are an integral part of these financial statements

**YOUNG PEOPLE IN RECOVERY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (184,326)	\$ 626,915
Adjustments to reconcile change in net assets to net cash provided by operating activities		
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(855)	14,713
(Increase)decrease in foundation grants and contributions receivable	270,000	(305,000)
(Increase)decrease in prepaid expenses	10,248	(11,260)
(Increase)decrease in accounts payable	8,587	(51,035)
(Increase)decrease in accrued payroll liabilities	5,295	51
Net cash provided by operating activities	<u>108,949</u>	<u>274,384</u>
<u>Cash flows from financing activities</u>		
Repayment of note payable - board member		(100,000)
Repayments on credit line, net	<u>-</u>	<u>(14,387)</u>
Net cash (used by) by financing activities	<u>-</u>	<u>(114,387)</u>
Net increase in cash and cash equivalents	108,949	159,997
Cash and cash equivalents, beginning of year	<u>355,505</u>	<u>195,508</u>
Cash and cash equivalents, end of year	<u>\$ 464,454</u>	<u>\$ 355,505</u>

The accompanying notes are an integral part of these financial statements

**YOUNG PEOPLE IN RECOVERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - NATURE OF ACTIVITIES**

Young People in Recovery (the Organization) is a Colorado non-profit corporation organized in 2013. The Organization is a peer recovery supports organization focused on creating recovery-ready communities throughout the nation for people in, or seeking, recovery. The Organization envisions a world where all young people have the resources they need to thrive in recovery from addiction to drugs and alcohol.

The Organization's mission is to provide the life skills and peer supports to help people recover from substance use disorder and reach their full potential. The Organization aims to improve access to treatment, education and employment opportunities, and secure, quality housing on local, state, and national levels. By creating a national network of individuals in recovery, the Organization empowers people to get involved in their communities by providing them with the tools and support to take charge of their futures. The Organization operates the following major programs:

National Operations – Young People in Recovery is a national grassroots organization focused on peer-to-peer services for young people in, or seeking, recovery from substance use disorder. National operations work to enhance prevention and improve access to treatment, education, employment, and housing for young people in recovery.

Chapter Operations – Each Young People in Recovery chapter offers an exciting calendar of social activities, advocacy events, public outreach, education programming, and community workshops. Chapters focus on grassroots organizing, leadership development, advocacy, volunteer management and recruitment, public policy, and media messaging. Chapter leads also attend in-person training at annual national leadership conferences.

The Organization is supported primarily through program and foundation grants.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES**

**1. Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**2. Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

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

4. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$5,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

8. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

9. Functional Reporting of Expenses

For the year ended December 31, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to program services or a supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated include salaries, payroll taxes and benefits, and subcontractor fees which are allocated based on time and effort. Other expenses are allocated based upon the program or supporting service benefited.

10. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include enough detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

11. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity and available resources, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

12. Subsequent Events

Management has evaluated subsequent events through August 30, 2019, the date the financial statements were available for distribution.

NOTE 3 - COMMITMENTS

The Organization leases office space in Denver, Colorado. The lease is on a month-to-month basis with a sixty-day notification period.

NOTE 4 - PRIOR PERIOD ADJUSTMENT

During the 2018 audit it was determined that the December 31, 2017 balance of net assets with donor restrictions did not include \$87,847 of unspent donations restricted for local chapter use. This had no effect on total net assets nor the change in net assets for 2017. The December 31, 2017 balance in net assets without and with donor restrictions has been restated as follows:

	<u>Previously Stated</u>	<u>Change</u>	<u>Restated</u>
Nets assets without donor restrictions	\$ 385,138	\$ (87,847)	\$ 297,291
Net asset with donor restrictions	\$ 305,000	\$ 87,847	\$ 392,847

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Organization expansion	\$ 216,633
Chapter programs	85,327
Program digitization	<u>20,000</u>
Total	<u>\$ 321,960</u>

NOTE 6 - PROGRAM GRANTS AND CONTRACTS

Program grants primarily represent state and local governmental agency reimbursement grants for the Organization's life-skills programs and also to support local chapters. The grants generally are initially a year in length and may be subject to extension.

NOTE 7 - IN-KIND CONTRIBUTIONS

The Organization received in-kind legal advice valued at \$69,721 on Food and Drug Administration regulations for research and development of novel addiction therapies.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from net assets with donor restrictions are as follows:

<u>Description</u>	<u>Amount</u>
Satisfaction of purpose restriction	
Organization expansion	\$ 46,216
Program digitization	30,000
Chapter programs	28,423
Fundraising consultant	25,000
Photo shoot	<u>1,000</u>
	130,639
Passage of time:	
Foundation grants and contributions receivable	<u>55,000</u>
Total	<u>\$ 185,639</u>

NOTE 9 - CONCENTRATION OF FUNDING SOURCE

For the year ended December 31, 2018, the Organization recognized program grant income of approximately \$392,000 or 35% of its revenue and other support from one state governmental agency. Without this support, the Organization would have to curtail its program within that state.

NOTE 10 - RELATED PARTY TRANSACTIONS

During 2018 the Organization entered into a consulting agreement with a company owned by a member of the Organization's board. The company provided the Organization with consulting services in connection with the annual national leadership conference. The total amount of payments to the company during 2018 were \$25,000.

During 2018 the Organization entered into a consulting agreement with a company to put the Organization's EPIC program online. A member of the Organization's board of directors is a shareholder and board member of the company. The company was paid \$30,000 during the year for consulting services under the agreement.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Organization keeps its available cash in one financial institution. At year-end the institution had a deposit balance of approximately \$448,000. Amounts over \$250,000 are not insured by the Federal Deposit Insurance Corporation or other entities. Management has evaluated its banking needs and the strength of the financial institution and believes it is in the Organization's best interest to continue its existing banking relationship.

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 464,454
Accounts receivable	75,832
Grants and contributions receivable	<u>10,000</u>
	550,286
Less: amounts not available for general expenditures within one year due to:	
Donor purpose restrictions	<u>(40,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 510,286</u>

The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.