

YOUNG PEOPLE IN RECOVERY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

YOUNG PEOPLE IN RECOVERY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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December 21, 2020

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, 2019, 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 and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. 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, 2019, 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

We have previously audited Young People in Recovery’s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 on our consideration of Young People in Recovery’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 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 Young People in Recovery’s internal control over financial reporting and compliance.

Taylor R Roth and Company P/C

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

YOUNG PEOPLE IN RECOVERY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 1,277,960	\$ 464,454
Contracts receivable	332,312	75,832
Grants receivable (Note 3)	337,500	10,000
Prepaid expenses	4,864	1,012
Total assets	\$ 1,952,636	\$ 551,298
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 7,721	\$ 11,519
Accrued payroll liabilities	77,254	33,967
Deferred revenue (Note 4)	330,888	-
Total liabilities	415,863	45,486
<u>Net assets</u>		
Without donor restrictions	1,405,134	183,852
With donor restrictions (Note 5)	131,639	321,960
Total net assets	1,536,773	505,812
Total liabilities and net assets	\$ 1,952,636	\$ 551,298

The accompanying notes are an integral part of these financial statements

YOUNG PEOPLE IN RECOVERY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Program grants and contracts (Note 6)	\$ 1,402,928	\$ -	\$ 1,402,928	\$ 675,572
Foundations grants	964,027	55,000	1,019,027	163,690
Corporate sponsorships	99,909	-	99,909	111,883
Board member contributions	77,727	10,000	87,727	41,350
Individual contributions	53,131	-	53,131	16,586
Chapter donations	-	16,901	16,901	25,902
Other income	4,184	-	4,184	1,073
Interest income	253	-	253	130
In-kind contributions (Note 7)	78,172	-	78,172	69,721
Net assets released from restrictions (Note 8)	272,222	(272,222)	-	-
Total revenue and other support	<u>2,952,553</u>	<u>(190,321)</u>	<u>2,762,232</u>	<u>1,105,907</u>
<u>Expense</u>				
Program services				
National operations	1,234,331	-	1,234,331	896,628
Chapter operations	111,653	-	111,653	74,455
Total program services	<u>1,345,984</u>	<u>-</u>	<u>1,345,984</u>	<u>971,083</u>
Supporting services				
Management and general	275,955	-	275,955	279,787
Fund-raising	109,332	-	109,332	39,363
Total expense	<u>1,731,271</u>	<u>-</u>	<u>1,731,271</u>	<u>1,290,233</u>
Change in net assets	1,221,282	(190,321)	1,030,961	(184,326)
Net assets, beginning of year	<u>183,852</u>	<u>321,960</u>	<u>505,812</u>	<u>690,138</u>
Net assets, end of year	<u>\$ 1,405,134</u>	<u>\$ 131,639</u>	<u>\$ 1,536,773</u>	<u>\$ 505,812</u>

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

Description	2019						2018
	Program			Supporting Services			Total
	National Operations	Chapter Operations	Total Program	Management and General	Fund-raising	Total	
Salaries	\$ 796,932	\$ 67,488	\$ 864,420	\$ 114,733	\$ 87,432	\$1,066,585	\$ 742,797
Payroll taxes and benefits	104,836	8,878	113,714	16,015	12,271	142,000	123,048
Legal and accounting services	50,447	-	50,447	50,775	-	101,222	110,285
Subcontractors - other	75,879	1,558	77,437	10,000	-	87,437	60,939
Travel and lodging	58,344	3,714	62,058	1,115	3,969	67,142	71,342
Subcontractors - social media and marketing	35,956	-	35,956	30,000	-	65,956	20,700
Payroll processing and administration fees	37,626	3,186	40,812	6,969	2,318	50,099	21,802
Advertising and marketing	12,562	2,016	14,578	24,510	738	39,826	8,996
Meetings	3,605	13,236	16,841	492	-	17,333	3,693
Postage and printing	11,376	537	11,913	1,547	26	13,486	22,007
Dues and subscriptions	2,812	288	3,100	7,766	2,552	13,418	3,668
Rent and occupancy	9,000	600	9,600	3,050	-	12,650	8,420
Information technology	7,452	-	7,452	4,914	-	12,366	10,127
Chapter expenses	5,904	3,136	9,040	-	-	9,040	4,507
Conference fees and costs	8,447	350	8,797	42	-	8,839	27,486
Office	4,175	2,466	6,641	661	26	7,328	7,863
Other program costs	6,846	285	7,131	20	-	7,151	2,899
Sponsorships	50	3,470	3,520	-	-	3,520	3,600
Insurance	-	130	130	3,346	-	3,476	9,897
Training costs	2,040	315	2,355	-	-	2,355	1,362
Interest and bank fees	42	-	42	-	-	42	401
Fundraising consultant	-	-	-	-	-	-	24,394
Total expenses	\$ 1,234,331	\$ 111,653	\$1,345,984	\$ 275,955	\$ 109,332	\$1,731,271	\$1,290,233

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,030,961	\$ (184,326)
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	(256,480)	(855)
(Increase)decrease in grants receivable	(327,500)	270,000
(Increase)decrease in prepaid expenses	(3,852)	10,248
(Increase)decrease in accounts payable	(3,798)	8,587
(Increase)decrease in accrued payroll liabilities	43,287	5,295
(Increase)decrease in deferred revenues	330,888	-
Net cash provided by operating activities	813,506	108,949
Cash and cash equivalents, beginning of year	<u>464,454</u>	<u>355,505</u>
Cash and cash equivalents, end of year	<u>\$ 1,277,960</u>	<u>\$ 464,454</u>

The accompanying notes are an integral part of these financial statements

YOUNG PEOPLE IN RECOVERY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - NATURE OF ACTIVITIES

Young People in Recovery (the Organization) is a Colorado non-profit corporation organized in 2013. The Organization focuses on peer recovery support, life skills programming, and community enrichment through service and public policy participation, creating recovery-ready communities throughout the nation for people of all ages in, or seeking, recovery. The Organization envisions a world where all young people have access to the resources they need to thrive in recovery.

The Organization's mission is "to provide life skills and peer support 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, as well as other initiatives on the 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, support, and pro-social engagement to take charge of their futures.

The Organization operates the following major programs:

National Program 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 disorders. YPR's National operations work to enhance prevention and recovery services, give a voice to young people in recovery, and to improve access to treatment, education, employment, and housing for all people in recovery. The Organization's life skills curriculum programming is offered to teach young people how to manage their recovery through competencies such as seeking education, safe housing, employment opportunities, and other life skills.

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

The Organization is supported primarily by government contracts 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:

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

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.

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. 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.

5. 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.

6. 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.

7. 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.

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

8. Functional Reporting of Expenses

For the year ended December 31, 2019, 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.

9. 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, 2018, from which the summarized information was derived.

10. New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standards update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The standards update did impact the revenue recognition for certain grants as described in Note 4.

11. Subsequent Events

Management has evaluated subsequent events through December 21, 2020, the date the financial statements were available for distribution.

NOTE 3 - GRANTS RECEIVABLE

At year-end, the Organization has received commitments from two foundations for future funding. Management has evaluated each commitment and does not believe an allowance for doubtful accounts is necessary and any present value discount would be immaterial to these financial statements. Under the terms of the commitments, grant payments are anticipated to be received in the following years:

<u>Year</u>	<u>Amount</u>
2020	\$ 237,500
2021	<u>100,000</u>
Total	<u>\$ 337,500</u>

NOTE 4 - DEFERRED REVENUE

The Organization received conditional grants containing measurable performance barriers and rights of return. Consequently, at December 31, 2019, grants in the amount of \$330,888 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not been met. The conditions to be met include local chapters launch and expansion, chapter EPIC life skills launch, and recovery workshops and advocacy events.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Chapter programs	\$ 81,689
Program expansion	<u>49,950</u>
Total	<u>\$ 131,639</u>

NOTE 6 - PROGRAM GRANTS AND CONTRACTS

Program grants and contracts 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

Donated goods and services are reflected in the accompanying financial statements at their estimated value at date of receipt. For the year, in-kind contributions consisted of:

<u>Description</u>	<u>Amount</u>
Legal services – Food and Drug Administration regulations	\$ 50,297
Social media marketing	15,000
Legal services - governance	12,000
Meeting space rental	<u>875</u>
Total	<u>\$ 78,172</u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions are as follows:

<u>Description</u>	<u>Amount</u>
Organization expansion	\$ 216,634
Chapter programs	20,538
Program digitization	20,000
Healthcare consulting	10,000
Speaking fees	5,000
Program expansion	50
Total	<u>\$ 272,222</u>

NOTE 9 - CONCENTRATION OF FUNDING SOURCE

For the year ended December 31, 2019, the Organization recognized program grant income of approximately \$709,000 or 26% 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 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 \$36,069 during the year for consulting services, digital case management services, and expense reimbursements under the agreement.

During 2019 the Organization entered into consulting agreement with a company owned by a member of the board of directors to receive healthcare consulting. The company was paid \$10,000 during the year for services under the agreement. The Organization owes the company \$5,000 at year-end for unpaid services.

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 \$1,278,000. 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 table represents financial assets available for general expenditures within one year at December 31, 2019:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 1,277,960
Contracts receivable	332,312
Grants receivable	<u>337,500</u>
	1,947,772
Less: amounts not available for general expenditures within one year due to:	
Grants receivable	(100,000)
Donor purpose restrictions	<u>(70,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,777,772</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 plans will be achieved. The Organization's anticipated general expenditures are approximately \$2,100,000 to \$2,300,000 during the upcoming year.

NOTE 13 - SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency and subsequently a pandemic on March 11, 2020. The Organization is currently assessing the potential impact of the COVID-19 pandemic upon the Organization and expects this matter to negatively disrupt operations due to mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings.

Large organization-wide events and some important fundraising opportunities have been indefinitely postponed. Some pro-social events and meetings have been shifted to digital environments, while other events that require in-person or on-site components have been delayed or re-imagined. However, the related financial impact and duration cannot be reasonably estimated at this time.

The Organization submitted a loan application under the Paycheck Protection Program (Program) to cover payroll and benefit costs. On May 8, 2020, the Organization received loan proceeds of \$226,519. The Program provides for loan forgiveness if the Organization is able to meet certain employee retention and salary requirements.