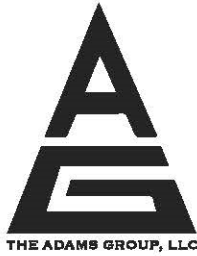


YOUNG PEOPLE IN RECOVERY
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Young People in Recovery

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Young People in Recovery (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Young People in Recovery as of December 31, 2021, 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. The financial statements of Young People in Recovery as of December 31, 2020, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated September 29, 2021.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young People in Recovery 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 Young People in Recovery's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 Young People in Recovery'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 Young People in Recovery'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audit 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 schedule of expenditures of federal awards 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 June 22, 2022, 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 solely 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 effectiveness of Young People in Recovery’s 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.

Summarized Comparative Information Reported on by Other Auditors

Other auditors have previously audited Young People in Recovery’s 2020 financial statements and expressed an unmodified audit opinion on those audited financial statements in their report dated September 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Adams Group, LLC

Denver, Colorado
June 22, 2022

YOUNG PEOPLE IN RECOVERY
STATEMENTS OF FINANCIAL POSITION

December 31,	2021	2020
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 1,832,568	\$ 1,397,057
Accounts receivable	284,732	466,224
Prepaid expenses	10,109	5,222
	<hr/>	<hr/>
Total Assets	<u>\$ 2,127,409</u>	<u>\$ 1,868,503</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 34,717	\$ 26,668
Accrued payroll liabilities	125,934	109,504
Deferred revenue	265,609	49,092
Paycheck Protection Program loan	0	226,519
	<hr/>	<hr/>
Total Liabilities	<u>426,260</u>	<u>411,783</u>
Net Assets		
Without donor restriction	1,603,171	1,299,320
With donor restriction	97,978	157,400
	<hr/>	<hr/>
Total net assets	<u>1,701,149</u>	<u>1,456,720</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 2,127,409</u>	<u>\$ 1,868,503</u>

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

YOUNG PEOPLE IN RECOVERY
STATEMENT OF ACTIVITIES
(WITH COMPARATIVE TOTALS FOR 2020)

For the Years Ended December 31,			2021	2020
	Without Donor Restriction	With Donor Restriction	Total	Total
<u>Revenues</u>				
Government grants and contracts	\$ 1,608,151	\$ 0	\$ 1,608,151	\$ 1,131,418
Program licensing	50,973	0	50,973	0
Foundation grants	220,120	121,250	341,370	795,786
Corporate sponsorships and contributions	96,130	0	96,130	138,330
Board member contributions	38,921	0	38,921	73,269
Individual contributions	70,576	0	70,576	39,777
Chapter donations	0	0	0	13,010
Other income	481,672	0	481,672	3,234
Investment income	208	0	208	209
In-kind contributions	10,000	0	10,000	22,660
Net assets released from restrictions	180,672	(180,672)	0	0
Total revenues	<u>2,757,423</u>	<u>(59,422.00)</u>	<u>2,698,001</u>	<u>2,217,693</u>
<u>Expenses</u>				
Program services				
National operations	2,270,858		2,270,858	1,767,583
Chapter operations	25,084		25,084	117,149
Total program services	<u>2,295,942</u>		<u>2,295,942</u>	<u>1,884,732</u>
Supporting services				
General and administrative	85,942		85,942	280,886
Fundraising	71,688		71,688	132,128
Total supporting services	<u>157,630</u>		<u>157,630</u>	<u>413,014</u>
Total expenses	<u>2,453,572</u>		<u>2,453,572</u>	<u>2,297,746</u>
Changes in net assets	303,851	(59,422)	244,429	(80,053)
Net assets, beginning of year	<u>1,299,320</u>	<u>157,400</u>	<u>1,456,720</u>	<u>1,536,773</u>
Net assets, end of year	<u>\$ 1,603,171</u>	<u>\$ 97,978</u>	<u>\$ 1,701,149</u>	<u>\$ 1,456,720</u>

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

YOUNG PEOPLE IN RECOVERY
STATEMENT FUNCTIONAL EXPENSES

For the Year Ended December 31,

2021

	Program Services			Supporting Services			Total Expense
	National Operations	Chapter Operations	Total Program	General and Administrative	Fundraising	Total Supporting Services	
Salaries	\$ 1,600,993	\$ 0	\$ 1,600,993	\$ 12,102	\$ 57,874	\$ 69,976	\$ 1,670,969
Payroll taxes and benefits	208,198	0	208,198	1,740	6,888	8,628	216,826
Subcontractors - other	84,465	0	84,465	532	779	1,311	85,776
Subcontractors - social media and marketin	69,743	6,345	76,088	0	0	0	76,088
Payroll processing and administration fees	86,368	0	86,368	2,427	1,798	4,225	90,593
Legal and accounting services	56,164	0	56,164	31,505	0	31,505	87,669
Advertising, marketing, and social media	5,051	736	5,787	12,205	0	12,205	17,992
Information technology	36,325	119	36,444	1,111	0	1,111	37,555
Dues and subscriptions	4,138	743	4,881	5,449	2,737	8,186	13,067
Chapter expenses	11,439	7,623	19,062	0	0	0	19,062
Rent and occupancy	14,275	1,000	15,275	200	0	200	15,475
Sponsorships	89	2,627	2,716	0	0	0	2,716
Travel and lodging	8,077	1,813	9,890	531	0	531	10,421
Other program costs	20,770	0	20,770	3,361	0	3,361	24,131
Insurance	7,778	306	8,084	3,592	0	3,592	11,676
Postage and printing	6,915	1,207	8,122	142	516	658	8,780
Meetings	10,605	2,366	12,971	1,743	0	1,743	14,714
Office	7,831	199	8,030	9,123	955	10,078	18,108
Training Costs	31,537	0	31,537	0	138	138	31,675
Conference fees and costs	49	0	49	0	0	0	49
Interest and bank fees	48	0	48	179	3	182	230
Total expenses on statement of activities	<u>\$ 2,270,858</u>	<u>\$ 25,084</u>	<u>\$ 2,295,942</u>	<u>\$ 85,942</u>	<u>\$ 71,688</u>	<u>\$ 157,630</u>	<u>\$ 2,453,572</u>

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

YOUNG PEOPLE IN RECOVERY
STATEMENT FUNCTIONAL EXPENSES

For the Year Ended December 31,

2020

	Program Services			Supporting Services			Total Expense
	National Operations	Chapter Operations	Total Program	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,243,648	\$ 81,460	\$ 1,325,108	\$ 130,240	\$ 111,636	\$ 241,876	\$ 1,566,984
Payroll taxes and benefits	158,706	11,056	169,762	17,136	13,219	30,355	200,117
Subcontractors - other	89,109	0	89,109	27,000	0	27,000	116,109
Subcontractors - social media and marketing	87,158	0	87,158	0	0	0	87,158
Payroll processing and administration fees	65,145	3,740	68,885	12,227	3,657	15,884	84,769
Legal and accounting services	0	0	0	70,800	0	70,800	70,800
Advertising, marketing, and social media	31,852	184	32,036	879	0	879	32,915
Information technology	20,261	26	20,287	4,907	24	4,931	25,218
Dues and subscriptions	8,524	125	8,649	5,717	2,699	8,416	17,065
Chapter expenses	14,041	1,764	15,805	0	0	0	15,805
Rent and occupancy	14,200	0	14,200	200	0	200	14,400
Sponsorships	1,676	12,396	14,072	0	0	0	14,072
Travel and lodging	11,463	1,043	12,506	1,019	57	1,076	13,582
Other program costs	9,891	1,004	10,895	0	0	0	10,895
Insurance	0	801	801	9,684	0	9,684	10,485
Postage and printing	6,589	361	6,950	145	708	853	7,803
Meetings	2,667	1,788	4,455	73	0	73	4,528
Office	1,967	1,401	3,368	859	128	987	4,355
Training Costs	661	0	661	0	0	0	661
Conference fees and costs	25	0	25	0	0	0	25
Total expenses on statement of activities	\$ 1,767,583	\$ 117,149	\$ 1,884,732	\$ 280,886	\$ 132,128	\$ 413,014	\$ 2,297,746

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

YOUNG PEOPLE IN RECOVERY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2021	2020
Cash flows from operating activities:		
Cash received from government grants	\$ 2,006,160	\$ 1,053,210
Cash received from public support	546,997	1,060,172
Cash received from service fees	55,534	3,234
Other receipts	10,000	22,660
Interest income	208	209
Cash paid to suppliers and employees	<u>(2,433,980)</u>	<u>(2,246,907)</u>
Net cash provided by (used for) operating activities	<u>184,919</u>	<u>(107,422)</u>
Cash flows from financing activities:		
Repayment on borrowings on notes payable	(77,215)	0
Proceeds from Paycheck Protection Program loan	<u>327,807</u>	<u>226,519</u>
Net cash provided by financing activities	<u>250,592</u>	<u>226,519</u>
Net increase in cash and cash equivalents	435,511	119,097
Cash and cash equivalents - beginning of year	<u>1,397,057</u>	<u>1,277,960</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,832,568</u></u>	<u><u>\$ 1,397,057</u></u>

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

YOUNG PEOPLE IN RECOVERY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Young People in Recovery (YPR or 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; expand access to recovery 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 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 recovery support services for youth and young adults; 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 prosocial 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.

During the COVID pandemic, YPR was able to continue its operations through shifting its work onto the digital realm, through platforms like Zoom and Google Hangouts. In 2021, YPR hosted 4,200 online pro-social events, All Recovery Meetings, life-skills workshops, and provided over 37,000 individual services. Through a capacity-building grant from a funder, YPR upgraded its website to host more events online and to have these activities listed prominently on its homepage so more people could access services.

The Organization is supported primarily by government contracts and foundation grants

YOUNG PEOPLE IN RECOVERY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

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 the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable State law.

Contributions

Contributions are recognized when cash is received, when ownership of donated assets is transferred, or when a verifiable unconditional promise to give is received. Contributions are recorded as net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Amounts of contributions with donor restrictions are subsequently released to net assets without donor restrictions when expenses have been incurred in satisfaction of those restrictions. Noncash contributions are recorded at fair value on the date of donation.

In-Kind Contributions

Donated goods and services are reflected in the accompanying financial statements at their estimated value at date of receipt. For the years ended December 31, 2021 and 2020, in-kind donations consisted of \$10,000 and \$0 in donated marketing services.

Grants Revenue

The Organization receives grants from governmental and private sources. The Organization considers its grant funding to be nonreciprocal transactions in which resources are provided for the benefit of the Organization or the public at large. The Organization considers its grants to be conditional contributions in which revenue is recognized as the related costs are incurred in accordance with the terms of the grant agreements. Grants receivable represent amounts due from grantor agencies for reimbursements which have not been received. As of December 31, 2021 and 2020, the Organization expects to collect all grant receivables.

YOUNG PEOPLE IN RECOVERY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents. At times, balances may exceed federally insured limits. The organization is selective in choosing financial institutions to maintain accounts and believes any risk of loss is remote.

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts and contractual discounts. The Organization recorded an allowance for doubtful accounts and contractual discounts at December 31, 2021 and 2020 of \$0.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited on several bases and estimates. Salaries and benefits are allocated based on department. Other expenses, such as office expense and occupancy, are allocated based on full time equivalents and square footage. Although the methods used of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Use of Estimates

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

Reclassifications

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

Subsequent Events

The Organization's financial statements were available to be issued on June 22, 2022, and this is the date through which subsequent events were evaluated.

YOUNG PEOPLE IN RECOVERY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,832,568
Grants receivable	284,732
	2,117,300
Less: Net assets with donor restrictions	(97,978)
Available for general expenditure	\$ 2,019,322

NOTE 3 – NET ASSETS WITH DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors for the years ended December 31:

	2021	2020
Program and Chapter Expansion	\$ 139,134	\$ 202,707
DEI Initiative	41,538	0
	\$ 180,672	\$ 202,707

Restricted net assets are available for the following purposes as of December 31:

	2021	2020
Program and Chapter Expansion	\$ 89,516	\$ 157,400
DEI Initiative	8,462	0
	\$ 97,978	\$ 157,400

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Organization received a \$226,519 loan under the U.S. Small Business Administration’s (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan could be partially or fully forgiven if certain eligibility requirements were met, including that 60% of the loan must be spent on payroll. The loan was treated as a refundable advance of a conditional contribution until such time the loan was forgiven by the SBA. In 2021, the SBA forgave the entire loan and the Organization recognized the other income.

The Organization applied for a second draw under the PPP and in May 2021 received additional PPP funding in the amount of \$327,807. In December of 2021 the Organization received forgiveness for \$250,592 of the loan, which was recognized as other income in 2021. The remainder was repaid by the Organization in 2021.

YOUNG PEOPLE IN RECOVERY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – RETIREMENT PLAN

The Organization adopted a retirement plan during 2020. The plan covers all eligible employees. Employees may elect to make contributions to the plan up to the maximum permitted. The plan allows for discretionary contributions by the Organization. The Organization made no contributions to the plan during 2020 and 2021.

NOTE 6 – CONTINGENCIES

Grant Revenue Adjustments

The Organization recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

Global COVID-19 Pandemic

The 2020 outbreak of COVID-19 has been declared a pandemic and has spread to multiple global regions. The impact of this pandemic has been extensive in many aspects of society, which has resulted in significant disruptions to the global economy. In an effort to halt the outbreak of COVID-19, many governments around the world have encouraged or required that people only leave their home for essential tasks and many businesses have announced closures. This may have a negative impact on the Organization, the magnitude and duration of which is uncertain.

NOTE 7 – CONCENTRATIONS

For the years ended December 31, 2021 and 2020, the Organization received 60% and 51% of its revenue in the form of Federal Financial Assistance

NOTE 8 – SUBSEQUENT EVENTS

In February of 2022 Young People in Recovery received an unrestricted contribution of \$3,000,000 from the National Philanthropic Trust. The Organization will use the contribution to help fund the expansion of chapter and substance abuse recovery and prevention programs.

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31,

2021

Federal Awarding Agencies	Federal CFDA Number	Passthrough Grantor's Number	Amounts Passed to Subrecipients	Federal Awards Expended
U.S. Department of Health and Human Services:				
Opioid State Targeted Response				
Passed through the California Department of Healthcare Services - CA-RSS	93.788	20-10341	\$ 0	\$ 909,864
BSCC - CA Adult Re-Entry	93.788	5227-BSCC23721	0	27,711
Passed through the Commonwealth of				
Kentucky - KORE Y4 Adolescent Recovery Support	93.788	PON2729000001876	0	70,196
Total Opioid State Targeted Response			<u>0</u>	<u>1,007,771</u>
Block Grant for Prevention and Treatment of Substance Abuse				
Passed through the Colorado Office of Behavioral Health - OBH FY20-21	93.959	21 IHJA 154599	0	170,124
CO-RSS-Latin	93.959	22 IHJA 171351	0	32,643
Passed through the Commonwealth of				
Kentucky - KORE Y4 Adolescent Recovery Support	93.959	PON2729000001876	0	24,089
Kentucky - KORE Y5 Adolescent Recovery Support	93.959	PON2729000001876	0	128,513
Total Block Grants for Prevention and Treatment			<u>0</u>	<u>355,369</u>
Substance Abuse and Mental Health Services				
Passed through the State of Massachusetts MA-RSS	93.243	IH79TI080812-01	0	195,747
Passed through Kerr County Texas Community Community Supervision and Corrections Department	93.243	NA	0	4,850
Total Substance Abuse and Mental Health Services			<u>0</u>	<u>200,597</u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 1,563,737</u>

YOUNG PEOPLE IN RECOVERY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Young People in Recovery, under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the Young People in Recovery it is not intended to and does not present the financial position or changes in net assets or cash flows of Young People in Recovery.

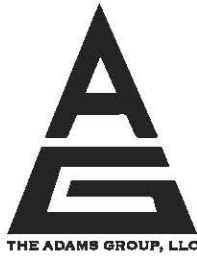
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. See Note 1 of the financial statements for summary of significant policies.

The Organization has not elected to use the ten percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – COMBINATION OF CFDA FUNDS INTO ONE GRANT

The Commonwealth of Kentucky awarded pass through funds to Young People in Recovery with funding through CFDA 93.788 and 93.959. The amounts presented on the SEFA were calculated by reconciling the unspent portion of the original award under CFDA 93.788 from the prior year's reported expenditures. Young People in Recovery spent the remaining portion of the original CFDA 93.788 first during the current fiscal year, and then utilized the unspent funds from the modified award under CFDA 93.959.



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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*

Board of Directors
Young People in Recovery
Denver, Colorado

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 Young People in Recovery (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, schedule of functional expenses, and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Young People in Recovery's internal control over financial reporting (internal control) as a basis for designing 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 Young People in Recovery's internal control. Accordingly, we do not express an opinion on the effectiveness of Young People in Recovery'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-02 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Young People in Recovery's financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-02.

Young People in Recovery's Response to Findings

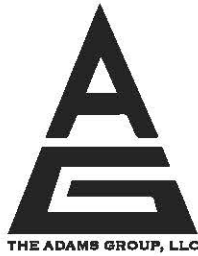
Government Auditing Standards requires the auditor to perform limited procedures on Young People in Recovery's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Young People in Recovery's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Adams Group, LLC

June 22, 2022
Denver, Colorado



CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance Required by Uniform Guidance

Board of Directors
Young People in Recovery
Denver, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Young People in Recovery's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Young People in Recovery's major federal program for the year ended December 31, 2021. Young People in Recovery's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Young People in Recovery complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the years ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Young People in Recovery and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Young People in Recovery's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Young People in Recovery's federal programs.

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Young People in Recovery's compliance based on our audit.

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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Young People in Recovery's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Young People in Recovery's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Young People in Recovery's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Young People in Recovery's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-01. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Young People in Recovery's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Young People in Recovery's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Young People in Recovery as of and for the years ended December 31, 2021, and have issued our report thereon dated June 22, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 audit 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The Adams Group, LLC

Denver, Colorado
June 22, 2022

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified opinion*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ X Yes _____ No

Type of auditors' report issued on compliance for major programs: *unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance* 2 CFR 200.516 _____ X Yes _____ No

Identification of major programs: 93.788 Opioid State Targeted Response

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

2021-01

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Opioid State Targeted Response

CFDA Number: 93.788

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations 2 CFR 200.430, Compensation – personal services requires that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated to reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.

Condition: During our testing, we noted that the Organization did not use actual time and effort records to allocate payroll costs to the major program.

Questioned Costs: None

Context: In our sample of forty payroll disbursements, The Adams Group, LLC noted that the Organization did not utilize actual time and effort records to allocate payroll costs to the federal award during the first three quarters of the fiscal year.

Cause: This is a repeat finding from the prior year. The Organization was made aware of this requirement during their 2020 audit. The Organization was not able to implement the new control to be in compliance with the federal requirement until September 30, 2021.

Effect: Payroll costs allocated to the federal program during the first three quarters of 2021 do not reflect actual time and effort spent on the program..

Repeat Finding: This is a repeat finding.

Recommendation: The Adams Group, LLC recommends that Young People in Recovery implement a process to verify that the allocation of payroll costs to federal programs.

Views of responsible officials: Management agrees with the finding.

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

2021-02

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our testing of grant and contribution revenues we noted multiple instances of improper revenue recognition related to the requirements outlined in FASB ASU 2018-08.

Context: In our testing of grant and contribution revenues we noted the following:

- The Organization recognized the full amount of funding received for grants that had rights of return in the grant agreement or performance barriers that were not completely met.
- The Organization improperly recognized federal grant revenues prior to incurring grant expenditures.

Cause: This finding occurred because Young People in Recovery had not fully implemented controls to recognize revenue in accordance with the recently issued accounting standard.

Effect: An audit adjustment was posted that reduced accounts receivable by \$809,352, increased unearned revenues by \$265,609 and reduced revenues by \$1,074,961.

Repeat Finding: This is not a repeat finding.

Recommendation: The Adams Group, LLC recommends that Young People in Recovery implement a process to review grant award letters and donor letters against the revenue recognition standard outlined in FASB ASU 2018-08.

Views of responsible officials: Management agrees with the finding.

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS
AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Opioid State Targeted Response – CFDA# 93.788

Grant No.18-95406 and 20-10341; Grant Period - Year Ended December 31, 2020

Grant No. PON2 729 1900000704; Grant Period – Year Ended December 31, 2020

2020-001

Condition: The Organization did not use time reports to allocate costs to federal awards. Instead, payroll costs were allocated by budget. This is a repeat finding.

Criteria: Subpart E-paragraph 200.430(i) Standards for Documentation of Personnel Expenses states that *Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.* The Guidance also states that *Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards...*

Cause: While the Organization does require employees to complete time reports, they were initially unaware of the requirement that charges to federal awards should be based on these reports rather than on the grant budget. The audit was completed in the latter part of the prior year, so there hasn't been enough time to correct the situation. Additionally, one funder requested that invoices be submitted monthly based on the budget, rather than the actual costs incurred to deliver the program.

Effect: Amounts charged may not accurately reflect that actual time spent on the program.

Recommendation: The Organization has an indirect cost rate that could be written to include management and administrative personnel into the indirect rate. This would alleviate the burden of these employees trying to decide how to fairly allocate their time. The Uniform Guidance also allows Organizations that use budget estimates to review and reconcile those estimates to the actual costs documented by time reports. *All necessary adjustments must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.*

Views of Responsible Officials and Planned Corrective Actions: YPR has initiated a new time keeping process where employees are given a timesheet at the beginning of each pay period and told to document the amount of time they spent throughout each day on each program they worked on.

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS
AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Grant No. PON2 729 1900000704; Grant Period – Year Ended December 31, 2020

2020-002

Condition: Amounts requested for reimbursement weren't supported by the general ledger, but rather by the grant budget. This resulted in cash draws that were much greater than expenditures. The situation was made worse due to the pandemic which sharply reduced some costs.

Criteria: Subpart D Paragraph 200.302 requires an entity's financial management system to be *sufficient to permit the preparation of reports required by general and program-specific terms...and the tracing of funds...adequate to establish that such funds have been used according to terms and conditions of the Federal award.* Subpart D Paragraph 200.305 requires payment methods must minimize the time elapsing between the transfer of funds and the disbursement of those funds.

Cause: One funder classified the grant agreement as a performance-based contract and requested monthly invoices based on the budget. Additionally, the Program Managers didn't have the necessary information available to invoice or to make budget adjustments based on actual expenditures.

Effect: The amounts invoiced exceeded the actual costs resulting in cash that needed to be carried over into the next grant year.

Recommendation: The Organization should make reimbursement requests that are supported by the general ledger. Any differences should be reconciled each month to avoid accumulating excess cash. If a funder prefers that invoicing be based on budget only, it may be necessary to adjust the budget to account for unexpected variances in expenditures.

Views of Responsible Officials and Planned Corrective Actions: YPR now performs reconciliations to ensure individual program general ledgers equals actual costs incurred are in line with budgeted expenses.

YOUNG PEOPLE IN RECOVERY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS
AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Grant No. PON2 729 1900000704; Grant Period – Year Ended December 31, 2020
Grant No.18-95406 and 20-10341; Grant Period - Year Ended December 31, 2020

2020-003

Condition: Both contracts covered under this award require monthly reporting of specific demographic data for the population served. We were unable to verify this information had been reported. This is a repeat finding.

Criteria: One grant requires monthly reports including *demographics (age, sex race/ethnicity) and pregnancy status of the My Recovery is Epic program funded by KORE*. The other grant requires *reported by month...number of resources developed and target audience, number of trainings, number of attendees, and unique clients receiving peer support/recovery services*.

Cause: The program manager possibly did not collect this information for reporting purposes. Another program manager wasn't aware of this requirement and noted the funder didn't require this monthly reporting.

Recommendation: The Organization should follow the reporting requirements in the contract or obtain a written waiver from the funder, and work to assure that future contracts don't come with unwanted verbiage and requirements.

Views of Responsible Officials and Planned Corrective Action: The company created a contract review policy and an authority to execute agreements that are being implemented moving forward.