

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

December 31, 2016 and 2015

YOUTH ENVIRONMENTAL SERVICES, INC.

December 31, 2016 and 2015

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Independent Auditor's Report

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

We have audited the statements of financial position of Youth Environmental Services, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement.

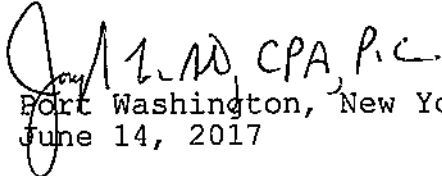
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Environmental Services, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

 J. L. Gil, CPA, P.C.  
Fort Washington, New York  
June 14, 2017

Youth Environmental Services, Inc.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2016	2015
Current assets		
Cash	\$ 1,098,309	\$ 863,980
Grants receivable	678,813	642,442
Patient receivables	21,405	16,645
Other receivables	7,715	8,166
Prepaid expenses	12,001	25,630
Security Deposit	-	1,973
Total current assets	1,818,243	1,558,836
Property and equipment, less accumulated depreciation of \$687,695 in 2016 and \$595,324 in 2015	1,613,243	1,563,969
Total Assets	\$ 3,431,486	\$ 3,122,805

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 86,461	\$ 8,609
Accrued payroll and taxes	88,477	73,463
Grants received in advance (Note A-1)	43,211	-
Due to Commerce Plaza	-	416
Total current liabilities	218,149	82,488
Net assets - unrestricted	3,213,337	3,040,317
Total Liabilities and Net Assets	\$ 3,431,486	\$ 3,122,805

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

Youth Environmental Services, Inc.  
STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2016	2015
Support and revenue		
Public support:		
Government grants	\$ 1,918,752	\$ 1,837,977
Other grants	113,885	89,996
Contributions	85,839	70,730
Fundraising	19,672	34,085
Total public support	2,138,148	2,032,788
Other revenue		
Program fees	476,698	396,529
Interest	1,686	2,415
Tax Refund	-	2,996
Total other revenue	478,384	401,940
Total public support & other revenue	2,616,532	2,434,728
Expenses:		
Salaries and wages	1,728,573	1,720,374
Payroll taxes and employee benefits	332,303	350,570
Telephone and utilities	30,646	36,898
Equipment maintenance and leasing	11,908	8,759
Rent	1,973	24,326
Supplies	31,480	24,027
Fees, dues and sundry	38,716	40,601
Professional fees	78,964	78,470
Insurance	26,503	28,093
Depreciation	92,371	90,352
Miscellaneous	5,680	3,710
Transportation and travel	7,196	6,834
Fundraising expenses	4,810	7,888
Grant expenses	10,471	10,900
Staff training	700	1,247
Maintenance	19,514	6,870
Contractual Services	23,193	22,507
Total expenses	2,445,001	2,462,426
Change in net assets	171,531	(27,698)
Other changes in unrestricted net assets	1,489	(3,453)
Net assets, beginning of year	3,040,317	3,071,468
Net assets, end of year	\$ 3,213,337	\$ 3,040,317

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

Youth Environmental Services, Inc.  
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 171,531	\$ (27,698)
Adjustment to reconcile excess of net assets to net cash provided by operating activities:		
Depreciation	92,371	90,352
(Increase) Decrease in:		
Grants receivable	(36,371)	(18,341)
Patient receivables	(4,760)	(2,423)
Other receivables	451	(119)
Prepaid expenses	13,629	12
Security deposit	1,973	-
(Decrease) Increase in:		
Accounts payable	77,852	(38,721)
Accrued payroll and taxes	15,014	10,863
Grants received in advance	43,211	-
Grants received in advance	(416)	-
Net cash provided by operating activities	374,485	13,925
Cash flow from investing activities:		
Purchase of property and equipment	(141,645)	(2,660)
Net cash used by investing activities	(141,645)	(2,660)
Net increase in cash	232,840	11,265
Other changes in unrestricted net assets	1,489	(3,453)
Cash at beginning of year	863,980	856,168
Cash at end of year	\$ 1,098,309	\$ 863,980

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

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

	Drug & Alcohol Services	Other Program Services	Total	Management and General	Fundraising	Total
<b>Expenses</b>						
Salaries and wages	\$ 802,180	\$ 767,333	\$ 1,569,513	\$ 159,060	\$ -	\$ 1,728,573
Payroll taxes and employee benefits	166,938	147,299	314,237	18,066	-	332,303
Total payroll and employee benefits	969,118	914,632	1,883,750	177,126	-	2,060,876
Telephone and utilities	14,920	12,906	27,826	2,820	-	30,646
Equipment purchases, maintenance and leasing	6,893	5,015	11,908	-	-	11,908
Rent	1,973	-	1,973	-	-	1,973
Supplies	17,486	13,994	31,480	-	-	31,480
Fees, dues and sundry	8,262	30,454	38,716	-	-	38,716
Professional fees	65,495	11,445	76,940	2,024	-	78,964
Insurance	16,184	10,319	26,503	-	-	26,503
Miscellaneous	568	5,112	5,680	-	-	5,680
Transportation and travel	909	6,287	7,196	-	-	7,196
Fundraising expenses	-	-	-	-	4,810	4,810
Grant expenses	375	10,471	10,846	-	-	10,846
Staff training	15,369	325	15,694	-	-	15,694
Maintenance	17,435	2,350	19,785	1,795	-	21,580
Contractual services	17,435	5,758	23,193	-	-	23,193
Total before depreciation	1,134,987	1,029,068	2,164,055	183,765	4,810	2,352,630
Depreciation	-	-	-	92,371	-	92,371
Total expenses	\$ 1,134,987	\$ 1,029,068	\$ 2,164,055	\$ 276,136	\$ 4,810	\$ 2,445,001

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



Youth Environmental Services, Inc.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2015

	Drug & Alcohol Services	Youth Development	Other Program Services	Total	Management and General	Fundraising	Total
Expenses							
Salaries and wages	\$ 868,611	\$ 813,413	\$ -	\$ 1,682,024	\$ 38,350	\$ -	\$ 1,720,374
Payroll taxes and employee benefits	191,160	154,957	-	346,117	4,453	-	350,570
Total payroll and employee benefits	1,059,771	968,370	-	2,028,141	42,803	-	2,070,944
Telephone and utilities	21,641	15,257	-	36,898	-	-	36,898
Equipment purchases, maintenance and leasing	5,913	2,846	-	8,759	-	-	8,759
Rent	14,026	10,300	-	24,326	-	-	24,326
Supplies	5,282	18,085	-	23,367	660	-	24,027
Fees, dues and sundry	8,381	28,317	100	36,798	3,803	-	40,601
Professional fees	69,550	8,920	-	78,470	-	-	78,470
Insurance	17,390	10,703	-	28,093	-	-	28,093
Miscellaneous	1,257	1,002	200	2,459	1,251	-	3,710
Transportation and travel	372	6,462	-	6,834	-	-	6,834
Fundraising expenses	-	-	-	-	-	7,888	7,888
Grant expenses	777	470	10,900	10,900	-	-	10,900
Staff training	-	-	-	-	-	-	-
Maintenance	5,360	1,510	-	6,870	-	-	6,870
Contractual services	17,469	5,038	-	22,507	-	-	22,507
Total before depreciation	1,227,189	1,077,280	11,200	2,315,669	48,517	7,888	2,372,074
Depreciation	-	-	-	-	90,352	-	90,352
Total expenses	\$ 1,227,189	\$ 1,077,280	\$ 11,200	\$ 2,315,669	\$ 138,869	\$ 7,888	\$ 2,462,426

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

Youth Environmental Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

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

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

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

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

1. Revenue recognition

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

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

2. Concentration of Credit Risk

The Organization at times may maintain cash balances in excess of \$250,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016 there was a \$260,862 uninsured balance and at December 31, 2015 there was no uninsured balances.

Youth Environmental Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

3. Property and Equipment

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

4. Use of Estimates

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

5. Uncertain Tax Positions

The Organization adapted the income standard related to the recognition and measurement of uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2016. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Youth Environmental Services, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

The Organization is no longer subject to income tax examinations for years prior to the year ended December 31, 2012. If incurred the Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

6. Subsequent Events

The Organization evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are issued, which was June 14, 2017 for these financial statements. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financials.

NOTE B - PROPERTY AND EQUIPMENT

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

	December 31, 2016	2015	Estimated Useful Life
Land	\$ 293,490	\$ 293,490	
Building - Levittown	1,027,120	1,027,120	20-39
Building - Massapequa	562,500	562,500	20-39
Building improvements	193,704	114,316	11
Building closing costs	11,712	11,712	5
Equipment	173,967	113,980	3
Furniture and fixtures	38,445	36,175	5-7
	<u>2,300,938</u>	<u>2,159,293</u>	
Less accumulated depreciation	<u>(687,695)</u>	<u>(595,324)</u>	
	<u>\$1,613,243</u>	<u>\$1,563,969</u>	

NOTE C - SIMPLIFIED EMPLOYEE PENSION (SEP) PLAN

The Organization sponsors a Simplified Employee Pension (SEP) Plan. Employer contributions under this Plan shall be at the Employer's discretion and based upon the total compensation of each participant. Eligibility requires the employee to have attained the age of twenty-one (21) and to have performed services for the employer in three of the five plan years immediately preceding the plan year for which the contribution is to be made. Elective contributions are not permitted. Contributions were \$60,398 in 2016 and \$35,373 in 2015.