



Single Audit Reports

For the Year Ended December 31, 2013

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***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***

Independent Auditor's Report

***Board of Directors
YouthCare
Seattle, Washington***

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 YouthCare (the Organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CLARK NUBER

Certified Public
Accountants
and Consultants

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Clark Nuber P.S.

Certified Public Accountants
April 21, 2014

***Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133***

Independent Auditor's Report

***Board of Directors
YouthCare
Seattle, Washington***

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited YouthCare's (the Organization's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

CLARK NUBER

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CLARK NUBER

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

We have audited the financial statements of the Organization as of and for the year ended December 31, 2013, and have issued our report thereon dated April 21, 2014, 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
April 21, 2014

YOUTHCARE

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

<i>Federal Grantor / Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Expenditures</i>
Department of Housing and Urban Development:			
Direct program-			
Emergency Solutions Grant Program	14.231	DA13-2458	\$ 32,053
Community Development Block Grants/Entitlement Grants	14.218	Note 3	337,755
Community Development Block Grants/Entitlement Grants	14.218	Note 3	<u>150,000</u>
Subtotal 14.218			487,755
Direct program-			
Supportive Housing Program	14.235		<u>255,122</u>
Total direct programs			255,122
Passed Through City of Seattle Department of Housing and Human Services-			
Supportive Housing Program	14.235	DA2012-5831	42,783
Supportive Housing Program	14.235	DA13-7133	68,629
Supportive Housing Program	14.235	Note 4	37,500
Supportive Housing Program	14.235	DA13-7134	112,675
Supportive Housing Program	14.235	DA12-7145	61,546
Supportive Housing Program	14.235	DA12-1147	<u>289,476</u>
Subtotal 14.235			867,731
Continuum of Care Program	14.267	DA2013-5831	89,884
Continuum of Care Program	14.267	DA13-1417	47,761
Continuum of Care Program	14.267	DA13-1065	52,814
Continuum of Care Program	14.267	DA13-7145	9,110
Continuum of Care Program	14.267	DA13-1147	<u>19,895</u>
Subtotal 14.267			<u>219,464</u>
Total Department of Housing and Urban Development			1,607,003
Department of Justice:			
Passed Through King County Sexual Assault Resource Center-			
King County Sexual Assault Resource Center	16.018	2010-WY-AX-K025	32,630
Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys Allies	16.888	MOU-OVW-2012-3381	435
Passed Through International Rescue Committee-			
Services for Trafficking Victims	16.320	2011-VT-BX-K011	<u>57,305</u>
Total Department of Justice			90,370

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

YOUTHCARE

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2013**

<i>Federal Grantor / Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Expenditures</i>
Department of Labor:			
Employment Training Administration			
Passed Through Workforce Development Council of Seattle-King County- WIA Youth Activities	17.259	DA12-1775 / DA13-1775	141,569
WIA Pilots, Demonstrations, and Research Projects	17.261	YB-21911-11-60-A-53	340,551
Youthbuild	17.274	YB-21880-11-60-A-53	402,003
Total Department of Labor			884,123
Department of Transportation:			
Federal Transit Administration (FTA)			
Passed Through King County Dept of Transportation - Metro Transit- Job Access And Reverse Commute Program	20.516	5520458	9,174
Total Department of Transportation			9,174
Department of Health and Human Services:			
Administration for Children and Families-			
Direct programs:			
Transitional Living for Homeless Youth	93.550		368,312
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		117,856
Basic Center Grant	93.623		148,271
Unaccompanied Alien Children Program	93.676		1,446,739
Total direct programs			2,081,178
Passed Through International Rescue Committee-			
Services to Victims of a Severe Form of Trafficking	93.598	90ZU0045/05	16,348
Services to Victims of a Severe Form of Trafficking	93.598	90ZU0105/01	5,904
Subtotal 93.598			22,252
Passed Through Administration for Children and Families-			
Children's Justice Grants to States	93.643	Unknown	9,532
Total Department of Health and Human Services			2,112,962
Total Federal Expenditures			\$ 4,703,632

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

YOUTHCARE

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of YouthCare under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of YouthCare, it is not intended to and does not present the financial position, changes in net assets, or cash flows of YouthCare.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Loans

YouthCare has two loans outstanding that are forgivable after 20 years at the expiration of the term of the loans if YouthCare complies with all the terms and conditions of the loan documents. YouthCare is required to report compliance with the continuing use requirement that each facility financed with the loan provide services to low and moderate income persons in the specific category of homeless youth. Following is information related to each loan outstanding:

<u>Location</u>	<u>Expiration Date</u>	<u>Loan Outstanding</u>
2500 NE 54th Street, Seattle, WA	December 31, 2018	\$ 337,755
2500 NE 54th Street, Seattle, WA	December 31, 2016	\$ 150,000

Note 4 - Commitment - McKinney Grant

During 1996, the City of Seattle granted YouthCare \$125,000 for acquisition of property that was used for administration offices, transitional housing and supportive services. A portion of the funding sources was a 1995 HUD McKinney Supportive Housing Program Grant. The grant agreement required that "the project will be operated for no less than 20 years from the date of initial occupancy or the date of initial service provision for the purpose specified in the application." Repayment of 100% of any assistance received for acquisition costs is required if the project ceases to be supportive housing within the 10 years after the project is placed in services. If used for more than 10 years, the percentage of the amount required to be repaid is reduced by 10% for each year in excess of 10 years that the project is used as supportive housing under Subtitle C or Title IV or the Stewart B. McKinney Homeless Assistance Act.

Note 5 - Subrecipient Payments

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Supportive Housing Program	14.235	\$ 262,021

YOUTHCARE

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Type of auditor's report issued on compliance for major programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Programs

CFDA Numbers

Name of Federal Program or Cluster

14.218
14.235
17.261
93.550

Community Development Block Grants/Entitlement Grants
Supportive Housing Program
WIA Pilots, Demonstrations, and Research Projects
Transitional Living for Homeless Youth

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

YOUTHCARE

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2013

Section II - Financial Statement Findings

No matters were reported.

Section III - Findings and Questioned Costs for Federal Awards

No matters were reported.

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***Schedule of Prior Audit Findings
For the Year Ended December 31, 2013***

No matters were reported.