



Single Audit Reports

For the Year Ended December 31, 2018

Table of Contents

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1 - 2
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 5
Schedule of Expenditures of Federal Awards	6 - 7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9 - 10
Summary Schedule of Prior Audit Findings	
Management's Corrective Action Plan	

**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

**To the 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2019.

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.



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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
June 18, 2019

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

**To the 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 U.S. *Office of Management and Budget (OMB) 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.



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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, 2018.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying Management's Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying Management's Corrective Action Plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Organization as of and for the year ended December 31, 2018, and have issued our report thereon dated June 18, 2019, 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.

Clark Nuber P.S.

Certified Public Accountants
June 18, 2019

YOUTHCARE

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Award/ Pass-Through Identification Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Agriculture:				
Passed Through State of Washington - Office of Superintendent of Public Instruction Child and Adult Care Food Program	10.558	17-160279	\$ -	\$ 19,958
Total Department of Agriculture				19,958
Department of Housing and Urban Development:				
Passed Through City of Seattle Department of Housing and Human Services- Community Development Block Grants/Entitlement Grants	14.218	Note 3		337,755
Community Development Block Grants/Entitlement Grants	14.218	Note 3		666,775
Total CFDA 14.218 / CDBG - Entitlement Grants Cluster				1,004,530
Direct program-				
Continuum of Care Program	14.267	WA0057L0T001309		76,989
Continuum of Care Program	14.267	WA0057L0T001310		20,787
Continuum of Care Program	14.267	WA0046L0T001309		52,813
Continuum of Care Program	14.267	WA0046L0T001310		62,402
				212,991
Passed Through King County Department of Community and Human Services- Continuum of Care Program	14.267	5989644 Exh IV		114,340
				114,340
Passed Through City of Seattle Department of Housing and Human Services- Continuum of Care Program	14.267	DA17-5831		72,524
Continuum of Care Program	14.267	DA17-1065		110,485
Continuum of Care Program	14.267	DA18-1065		36,572
Continuum of Care Program	14.267	DA17-1611		107,847
Continuum of Care Program	14.267	DA18-1611		23,233
Total CFDA 14.267				677,992
Total Department of Housing and Urban Development				1,682,522
Department of Justice:				
Passed Through International Rescue Committee- Services for Trafficking Victims	16.320	2015-VT-BX-K012		33,091
Services for Trafficking Victims	16.320	2016-VT-BX-K038		159,796
Total CFDA 16.320				192,887
Passed Through International Rescue Committee- Crime Victim Assistance	16.575	19-312219-206		9,064
Total CFDA 16.575				9,064
Passed Through King County Sexual Assault Resource Center- Consolidated And Technical Assistance Grant Program	16.888	MOU-OVW-2016-9002		24,882
Total CFDA 16.888				24,882
Total Department of Justice				226,833
Department of Labor:				
Passed Through Workforce Development Council of Seattle-King County- WIA Youth Activities	17.259	16/251-YWK		20,167
Total CFDA 17.259/WIA/WIOA Cluster				20,167
Youthbuild	17.274	YB-26245-14-60-A-53		20,744
Total Department of Labor				40,911

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

YOUTHCARE

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Award/ Pass-Through Identification Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Transportation:				
Passed Through King County Dept of Transportation - Metro Transit- Job Access And Reverse Commute Program	20.516	5956409		18,094
Total Department of Transportation/CFDA 20.516/ Transit Services Program Cluster				18,094
Department of Health and Human Services:				
Passed through Planned Parenthood- Teenage Pregnancy Prevention Program	93.297	None available		50,084
Direct program-				
Transitional Living for Homeless Youth	93.550	90CX7064/04		44,970
Transitional Living for Homeless Youth	93.550	90CX7064/05		157,908
Transitional Living for Homeless Youth	93.550	90CX7141/01		136,210
Transitional Living for Homeless Youth	93.550	90CX7141/02		36,602
Total CFDA 93.550				375,690
Passed Through Youth Development Bureau-				
Basic Center Grant	93.623	90CY6830/02		140,957
Basic Center Grant	93.623	90CY6830/03		46,812
Total CFDA 93.623				187,769
Direct program-				
Unaccompanied Alien Children Program	93.676	90ZU0221/01		149,003
Unaccompanied Alien Children Program	93.676	90ZU0221/02		1,744,401
Total CFDA 93.676				1,893,404
Direct program-				
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO2237/02		137,061
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO2237/03		54,756
Total CFDA 93.557				191,817
Total Department of Health and Human Services				2,698,764
Department of Homeland Security:				
Passed Through United Way- Emergency Food and Shelter National Board Program	97.024	Phase 35		4,828
Total Department of Homeland Security				4,828
Total Federal Expenditures			\$ -	\$ 4,691,910

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

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Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of YouthCare under programs of the federal government for the year ended December 31, 2018. 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 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, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. YouthCare has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Loans

YouthCare has two federal loans outstanding that are forgivable or can be extended after 20 years and 50 years, respectively, at the expiration of the term of the loan if YouthCare complies with all of the terms and conditions of the loan documents. YouthCare is required to report compliance with the continuing use requirement that the facilities financed with the loans provide services to low and moderate income persons in the specific category of homeless youth. Following is information related to the loan outstanding:

<u>Location</u>	<u>Expiration Date</u>	<u>Original Loan</u>	<u>Outstanding at December 31, 2018</u>
2500 NE 54th Street, Seattle, WA	December 31, 2018	\$ 337,755	\$ -
6610 and 6622 62nd Ave NE, Seattle, WA	July 31, 2067	\$ 666,775	\$ 666,775

The loan with an outstanding balance of \$337,755 was forgiven after December 31, 2018.

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**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018**

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 2 CFR 200.516(a)? Yes No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.267 14.218	Continuum of Care Program Community Development Block Grants/Entitlement Grants Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2018

Section II - Financial Statement Findings

No matters were reported.

Section III - Findings and Questioned Costs for Federal Awards

Finding 2018-001

Significant deficiency in internal controls and noncompliance related to procurement.

Federal Agency: U.S. Department of Housing and Urban Development
Program Title: Community Development Block Grants/Entitlement Grants
CFDA Number: 14.218
Award Numbers: Not Applicable
Award Period: Loan maturing in 2067 with option of 25-year extension

Criteria

Per procurement standards contained in Title 2 US Code of Federal Regulations *Uniform Administrative Requirements, Cost Principles and Audit Requirement for Federal Awards* (Uniform Guidance) Subpart D - Post Federal Award Requirements Section 200.318, "nonfederal entities must use its own documented procurement procedures which reflect applicable State, local and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

Condition/Context for Evaluation

The Organization had appropriate procedures for procurement to conform to the requirements in the Uniform Guidance but did not update its written policy.

Cause

The Organization's internal controls over updating its policies for new regulations did not ensure its procurement policy was updated in a timely manner.

Effect

The effect is that the Organization's procurement policy was not updated to conform to the new requirements of the Uniform Guidance.

Questioned Costs

Not Applicable.

Repeat Finding

N/A

Recommendation

We recommend management update its procurement policy to conform to the new requirements of the Uniform Guidance and implement monitoring procedures to ensure that policies to conform with new regulations in a timely manner.

Views of Responsible Officials

Management agrees with the finding and has provided the accompanying corrective action plan.

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*Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018*

Section I - Prior Year Financial Statement Findings

No matters were reported.

Section II - Prior Year Federal Award Findings and Questioned Costs

**Finding 2017-001: Significant Deficiency in Compliance and Internal Controls
Over Compliance for Eligibility**

Condition/Context for Evaluation

During testing over eligibility, we noted that out of a sample of fifteen, one was missing required documentation supporting the income verification that is required to be performed every 90 days that a participant receives financial assistance. This was a new compliance requirement for the award as of August 1, 2017. The sample was not a statistical sample.

Current Year Status

Correction action was taken.



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*Management's Corrective Action Plan
For the Year Ended December 31, 2018*

Finding Number 2018-001

Contact Person(s):

Richard Heine, CFO
Richard.heine@youthcare.org

Explanation and specific reasons for disagreement with the audit finding or that corrective action is not required (if applicable):

No disagreement.

Corrective action taken/planned:

Management is in the process of hiring a consultant to assist in the review of the current procurement policy and drafting the updated policy to comply with the new requirements of the Uniform Guidance.

Anticipated completion date:

Fall 2019

