



Single Audit Reports

For the Year Ended December 31, 2021

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 - 6
Schedule of Expenditures of Federal Awards	7 - 8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10 - 11
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
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, 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, and have issued our report thereon dated August 22, 2022.

REPORT ON 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) 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.



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REPORT ON 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

THE ORGANIZATION'S RESPONSE ON FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
August 22, 2022

**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
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited YouthCare's (the Organization's) compliance with the types of compliance requirements identified as subject to audit in the 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, 2021. 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.

In our opinion, the Organization's complied, in all material respects, with the 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, 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 (GAAS); 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 the Organization 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 the Organization's compliance with the compliance requirements referred to above.



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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 the Organization's federal programs.

Auditor's Responsibilities 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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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.



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 above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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 were not 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 the Organization as of and for the year ended December 31, 2021, and have issued our report thereon dated August 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.

Clark Nuber P.S.

Certified Public Accountants
August 22, 2022

YOUTHCARE

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing 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	\$ -	\$ 14,840
Total Department of Agriculture				14,840
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		696,780
Total Assistance Listing No. 14.218/CDBG - Entitlement Grants Cluster				696,780
Direct program-				
Continuum of Care Program	14.267	WA0057L0T001312		78,895
Continuum of Care Program	14.267	WA0057L0T001313		27,650
Continuum of Care Program	14.267	WA0046L0T001312		85,460
Continuum of Care Program	14.267	WA0046L0T001313		54,118
Passed Through King County Department of Community and Human Services-				
Continuum of Care Program	14.267	6117247 Exh IV		446,201
Continuum of Care Program	14.267	6207971 Exh IV		122,932
Passed Through City of Seattle Department of Housing and Human Services-				
Continuum of Care Program	14.267	DA20-1065		109,897
Continuum of Care Program	14.267	DA21-1065		33,880
Total Assistance Listing No. 14.267				959,033
Total Department of Housing and Urban Development				1,655,813
Department of Justice:				
Passed Through International Rescue Committee-				
Services for Trafficking Victims	16.320	2019-VT-BX-0104		160,752
Services for Trafficking Victims	16.320	2020-VT-BX-0002		134,642
International Rescue Committee-Case Management	16.320	2018-VT-BK-K035		15,119
Total Assistance Listing No. 16.320				310,512
Passed Through International Rescue Committee-				
Crime Victim Assistance	16.575	F19-31219-511		123,161
Total Department of Justice				433,673
Department of Transportation:				
Passed Through King County Dept of Transportation - Metro Transit- Job Access And Reverse Commute Program	20.516	5956409		17,233
Total Department of Transportation/Assistance Listing No. 20.516/ Transit Services Program Cluster				17,233

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, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identification Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of the Treasury:				
Passed Through WA State Department of Commerce/School's Out Washington- COVID-19 Coronavirus Relief Fund	21.019	EPRAP01		12,406
Passed Through King County Department of Community and Human Services- COVID-19 Coronavirus Relief Fund	21.019	DA20-1268		259,781
Passed Through YMCA of Greater Seattle- COVID-19 Coronavirus Relief Fund	21.019	21-4614C-213		780,935
Total Department of Treasury/Assistance Listing No. 21.019				1,053,122
Department of Education:				
Passed through Washington State Office of Superintendent of Public Instruction- COVID-19 Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act: Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	131040		199,015
Total Department of Education/Assistance Listing No. 84.425D				199,015
Department of Health and Human Services:				
Direct program-				
Demonstration Grants for Domestic Victims of Human Trafficking	93.327	90TV0030/01		244,223
Demonstration Grants for Domestic Victims of Human Trafficking	93.327	90TV0030/02		75,464
Total Assistance Listing No. 93.327				319,687
Direct program-				
Transitional Living for Homeless Youth	93.550	90CX7141/04		162,522
Transitional Living for Homeless Youth	93.550	90CX7141/05		48,492
Total Assistance Listing No. 93.550				211,014
Passed Through Youth Development Bureau-				
Basic Center Grant	93.623	90CY7105/02		157,200
Basic Center Grant	93.623	90CY7105/03		67,631
Total Assistance Listing No. 93.623				224,832
Direct program-				
Unaccompanied Alien Children Program	93.676	90ZU0339/01		174,215
Unaccompanied Alien Children Program	93.676	90ZU0339/02		2,158,838
Total Assistance Listing No. 93.676				2,333,052
Direct program-				
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO2343/02		232,992
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO2343/03		33,433
Total Assistance Listing No. 93.557				266,425
Total Department of Health and Human Services				3,355,010
Department of Homeland Security:				
Passed Through United Way- Emergency Food and Shelter National Board Program	97.024	Phase 38		27,000
Total Department of Homeland Security/Assistance Listing No. 97.024				27,000
Total Federal Expenditures			\$ -	\$ 6,755,705

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, 2021

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, 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 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 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 one federal loan outstanding that is forgivable or can be extended after 50 years 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, 2021</u>
6610 and 6622 62nd Ave NE, Seattle, WA	July 31, 2067	\$ 666,775	\$ 696,780

YOUTHCARE

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021**

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>
21.019 84.425D	COVID-19 Coronavirus Relief Fund COVID-19 Education Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act.
14.267	Continuum of Care Program

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

Auditee qualified as low-risk auditee? Yes No

YOUTHCARE

Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2021

Section II - Financial Statement Audit Findings

Finding 2021-001

Material weakness in internal control over financial reporting and general ledger account reconciliation.

Criteria

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. Accounting principles generally accepted in the United States of America requires unconditional promises to give to be recognized when the promise to give is made.

Condition/Context for Evaluation

During the audit for the year ended December 31, 2021, it was determined that a \$1,000,000 unconditional promise to give in three year installments commencing December 2021 through December 2023 should have been recorded as a pledge receivable as of December 31, 2020. As a result, a prior period adjustment was recorded to properly state pledges receivable as of December 31, 2020.

Questioned Costs

None.

Cause

The Organization's internal controls over financial reporting did not identify this misstatement in a timely manner.

Effect

Pledge receivable and revenue balances were misstated as of and for the year ended 12/31/20, which resulted in a prior period adjustment recorded during the financial statements audit for the year ended 12/31/21.

Repeat Finding

Not applicable.

Recommendation

We recommend management ensure that internal controls over include a review of all pledges from donors to determine proper accounting treatment.

Views of Responsible Officials and Corrective Action Plan

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

Section III - Federal Award Audit Findings and Questioned Costs

No matters reported.



ENGAGEMENT



EARLY INTERVENTION & SPECIALIZED SERVICES



SHELTER & HOUSING



EDUCATION



EMPLOYMENT

Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2020

Summary Schedule of Prior Audit Findings

Finding Number 2020-001

Significant deficiency in internal controls related to allowable costs.

Management Response: We agree with the finding and provide below the corrective action plan.

Corrective Action Plan:

- Implement annual mandatory training for managers of the new credit card approval process to prevent missing the check box that indicates approval documentation in the credit card portal.
- Additional internal review by a separate accounting staff to ensure all manager approval documentation is in the credit card portal.
- Monthly internal audit of prior period transactions to ensure completeness of approval documentation.

Anticipated Completion Date: April 2022

Current Year Status of Corrective Action Plan (Update): Management confirmed action plan on this finding has been completed.

Name(s) of the Contact Person(s) Responsible for Corrective Action:
Mariam Abarientos, Director of Finance

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ENGAGEMENT

Management's Corrective Action Plan For the Year Ended December 31, 2021



EARLY INTERVENTION & SPECIALIZED SERVICES

Finding Number 2021-001

Contact Person(s):

Mariam Abarientos, Director of Finance
Mariam.Abarientos@youthcare.org



SHELTER & HOUSING

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

No disagreement.



EDUCATION

Corrective action taken:

Established quarterly team meetings between the Finance and Development Departments to go over pledge receivable reconciliations effective June 2022.



EMPLOYMENT

Anticipated completion date: Completed

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