YOUTHZONE, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

June 30, 2019 and 2018

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M& H
Maggard
& Hood, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
YouthZone, Inc.
Glenwood Springs, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of YouthZone, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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 risk 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.

Unmodified Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YouthZone, Inc. at June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

YouthZone, Inc. has implemented the provisions of Financial Accounting Standards Board (FASB) ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* As a result of the implementation of FASB ASU 2016-14, in the accompanying financial statements net asset classes have been reduced from three to two (amounts previously reported as temporarily or permanently restricted are now reported as Net Assets with Donor Restrictions, and amounts previously reported as unrestricted net assets are now reported as Net Assets Without Donor Restrictions). In addition, FASB ASU 2016-14 also requires all not-for-profit organizations to provide information on expenses by both functional and natural categories (presented in the accompanying financial statements as Supplemental Information), and requires changes to the content of note disclosures regarding liquidity, quantitative measures of the amount of financial resources available, and methods used to allocate costs among program and supporting activities, the content of which have been adopted in the related notes to the financial statements.

Maggard & Hood, P.C.

MAGGARD & HOOD, P.C.
Glenwood Springs, Colorado
October 25, 2019

YOUTHZONE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents	$ 256,509	$ 210,690	$ 467,199	$ 128,655	$ 16,990	$ 145,645
Grants and Contributions Receivable	109,615	-	109,615	121,309	-	121,309
Pledges Receivable - Current	-	168,600	168,600	-	-	-
Other Receivables	7,044	-	7,044	14,815	-	14,815
Prepaid Expenses	9,847	-	9,847	5,453	-	5,453
TOTAL CURRENT ASSETS	383,015	379,290	762,305	270,232	16,990	287,222
NON-CURRENT ASSETS:						
Pledges Receivable – Noncurrent (Net)	-	387,998	387,998	-	-	-
Investments Held for Long-term Purposes	1,107,476	128,630	1,236,106	1,306,462	95,835	1,402,297
Beneficial Interest in Assets Held by 3rd Party	-	27,322	27,322	-	26,563	26,563
Capital Assets, Net	1,889,323	-	1,889,323	1,127,797	-	1,127,797
TOTAL NON-CURRENT ASSETS	2,996,799	543,950	3,540,749	2,434,259	122,398	2,556,657
TOTAL ASSETS	$ 3,379,814	$ 923,240	$ 4,303,054	$ 2,704,491	$ 139,388	$ 2,843,879
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts Payable	$ 29,339	$ -	$ 29,339	$ 38,470	$ -	$ 38,470
Accrued Liabilities	28,129	-	28,129	46,399	-	46,399
Compensated Absences	17,088	-	17,088	18,519	-	18,519
Deposits Payable	250	-	250	250	-	250
Current Portion of Long-term Liabilities	22,676	-	22,676	-	-	-
TOTAL CURRENT LIABILITIES	97,482	-	97,482	103,638	-	103,638
NON-CURRENT LIABILITIES:						
Notes Payable – Long-term	893,909	-	893,909	925,000	-	925,000
TOTAL NON-CURRENT LIABILITIES	893,909	-	893,909	925,000	-	925,000
NET ASSETS:						
Without Donor Restrictions (Note 11)	2,388,423	-	2,388,423	1,675,853	-	1,675,853
With Donor Restrictions (Note 12)	-	923,240	923,240	-	139,388	139,388
TOTAL NET ASSETS	2,388,423	923,240	3,311,663	1,675,853	139,388	1,815,241
TOTAL LIABILITIES AND NET ASSETS	$ 3,379,814	$ 923,240	$ 4,303,054	$ 2,704,491	$ 139,388	$ 2,843,879

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

YOUTHZONE, INC.
STATEMENTS OF ACTIVITIES
June 30, 2019 and 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
PUBLIC SUPPORT:						
Grants (Govts and Foundations)	$ 835,515	$ 53,000	$ 888,515	$ 775,503	$ 72,000	$ 847,503
Contributions	191,521	1,100	192,621	232,745	15,700	248,445
Special Events, Net	108,599	-	108,599	141,335	-	141,335
REVENUES:						
Program Service Fees	67,952	-	67,952	72,658	-	72,658
Gain (Loss) on Fixed Asset Disposition	(2,831)	-	(2,831)	(395)	-	(395)
Interest and Net Investment Earnings	64,102	880	64,982	57,568	1,392	58,960
Net Assets Released from Restrictions	37,115	(37,115)	-	51,016	(51,016)	-
TOTAL REVENUES AND OTHER SUPPORT	1,301,973	17,865	1,319,838	1,330,430	38,076	1,368,506
PROGRAM & SUPPORT SERVICES EXPENSES:						
Program Expenses –						
Prevention	136,217	-	136,217	222,019	-	222,019
Intervention	899,445	-	899,445	892,373	-	892,373
Scholarships and Special Projects	33,450	-	33,450	27,007	-	27,007
General and Administrative Expenses	183,052	-	183,052	195,415	-	195,415
Fundraising Expenses	122,429	-	122,429	85,219	-	85,219
TOTAL PROGRAM & SUPPT SVCS EXPENSES	1,374,593	-	1,374,593	1,422,033	-	1,422,033
INCREASE (DECREASE) IN NET ASSETS BEFORE UNUSUAL AND INFREQUENT ITEMS	(72,620)	17,865	(54,755)	(91,603)	38,076	(53,527)
UNUSUAL AND INFREQUENT ITEMS						
Capital Campaign Contributions	-	969,545	969,545	-	-	-
Capital Campaign Pledges, Net	-	784,432	784,432	-	-	-
Capital Campaign Interest Earnings	-	1,990	1,990	-	-	-
Capital Campaign Expenses	-	(204,790)	(204,790)	-	-	-
Net Assets Released from Restrictions	785,190	(785,190)	-	-	-	-
TOTAL INCREASE (DECREASE) IN NET ASSETS	712,570	783,852	1,496,422	(91,603)	38,076	(53,527)
NET ASSETS – BEGINNING OF YEAR	1,675,853	139,388	1,815,241	1,767,456	101,312	1,868,768
NET ASSETS – END OF YEAR	$ 2,388,423	$ 923,240	$ 3,311,663	$ 1,675,853	$ 139,388	$ 1,815,241

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

YOUTHZONE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Preventions Programs			Intervention Programs *(continued on next page)*		
	Youth Outreach & Mentoring	Parenting	Total Prevention Programs	DYC SB94/SB215	DCJ Diversion	Diversion/ Court Services
Expenses:						
Salaries and Benefits	$ 19,767	$ 82,983	$ 102,750	$ 132,154	$ 102,564	$ 94,686
Payroll Taxes and Work Comp	1,701	6,502	8,203	10,189	7,502	7,539
Employee Benefits	1,779	7,009	8,788	9,623	8,451	8,062
Professional Fees	-	-	-	4,652	11,835	1,952
Supplies	365	1,137	1,502	4,988	2,507	1,853
Telecommunications	197	868	1,065	3,005	1,060	1,596
Occupancy	1,553	6,383	7,936	9,476	8,141	7,047
Postage	-	-	-	-	-	-
Printing and Publications	19	-	19	-	-	322
Staff Development	-	-	-	4,107	6,793	248
Travel	69	-	69	4,083	789	2,766
Insurance	344	1,317	1,661	1,935	1,619	1,493
Promotion and Advertising	-	-	-	-	-	-
Purchased Services	-	-	-	15,641	5,275	-
Technology and Other	1,035	65	1,100	1,516	252	1,976
Interest Expense	-	-	-	-	-	-
Depreciation	625	2,499	3,124	3,680	3,082	2,857
Special Projects/Scholarships	-	-	-	-	-	-
Total Expenses	$ 27,454	$ 108,763	$ 136,217	$ 205,049	$ 159,870	$ 132,397

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

YOUTHZONE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Intervention Programs *(Continued)*					Other Programs
	Counseling/ Case Mgmt	Garfield FACET/ CMP/CORE	SOC Programs	Restorative Justice	Total Intervention Programs	Total Scholarships & Special Projects
Expenses:						
Salaries and Benefits	$ 76,037	$ 73,726	$ 45,587	$ 86,529	$ 611,283	$ 7,058
Payroll Taxes and Work Comp	5,943	5,959	3,856	7,174	48,162	-
Employee Benefits	6,593	6,606	4,667	6,631	50,633	-
Professional Fees	3,235	-	-	1,331	23,005	-
Supplies	1,053	976	787	1,467	13,631	-
Telecommunications	981	756	480	930	8,808	-
Occupancy	5,857	5,662	3,427	6,796	46,406	-
Postage	-	-	-	-	-	-
Printing and Publications	-	-	-	73	395	-
Staff Development	493	3,426	1,148	385	16,600	-
Travel	1,056	1,609	1,847	1,371	13,521	-
Insurance	1,219	1,154	703	1,353	9,476	-
Promotion and Advertising	-	-	-	-	-	-
Purchased Services	-	2,160	4,004	3,900	30,980	-
Technology and Other	1,505	1,709	199	1,226	8,383	-
Interest Expense	-	-	-	-	-	-
Depreciation	2,295	2,225	1,348	2,675	18,162	-
Special Projects/Scholarships	-	-	-	-	-	26,392
Total Expenses	$ 106,267	$ 105,968	$ 68,053	$ 121,841	$ 899,445	$ 33,450

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

YOUTHZONE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES Management and General	Fundraising	TOTAL SUPPORT SERVICES	GRAND TOTAL PROGRAM & SUPPT SERVICES EXPENSES	UNUSUAL AND INFREQUENT ITEMS *Capital Campaign*
EXPENSES:						
Salaries and Benefits	$ 721,091	$ 52,087	$ 91,407	$ 143,494	$ 864,585	*$ -*
Payroll Taxes and Work Comp	56,365	9,841	7,855	17,696	74,061	-
Employee Benefits	59,421	9,610	7,209	16,819	76,240	-
Professional Fees	23,005	19,868	1,710	21,578	44,583	*90,000*
Supplies	15,133	4,848	2,317	7,165	22,298	*776*
Telecommunications	9,873	2,273	928	3,201	13,074	-
Occupancy	54,342	19,366	1,276	20,642	74,984	-
Postage	-	3,424	-	3,424	3,424	-
Printing and Publications	414	9,400	648	10,048	10,462	-
Staff Development	16,600	7,139	240	7,379	23,979	-
Travel	13,590	4,265	205	4,470	18,060	-
Insurance	11,137	6,605	1,404	8,009	19,146	-
Promotion and Advertising	-	846	1,674	2,520	2,520	*32,539*
Purchased Services	30,980	-	-	-	30,980	*475*
Technology and Other	9,483	28,175	2,814	30,989	40,472	*5,551*
Interest Expense	-	-	-	-	-	*75,449*
Depreciation	21,286	5,305	2,742	8,047	29,333	-
Special Projects/Scholarships	26,392	-	-	-	26,392	-
Total Expenses	$ 1,069,112	$ 183,052	$ 122,429	$ 305,481	$ 1,374,593	*$ 204,790*

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

YOUTHZONE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	PREVENTIONS PROGRAMS			INTERVENTION PROGRAMS *(CONTINUED ON NEXT PAGE)*		
	Youth Outreach & Mentoring	Parenting	Total Prevention Programs	DYC SB94/SB215	DCJ Diversion	Diversion/ Court Services
EXPENSES:						
Salaries and Benefits	$ 67,688	$ 98,278	$ 165,966	$ 128,721	$ 112,134	$ 96,068
Payroll Taxes and Work Comp	5,501	7,691	13,192	8,987	8,458	7,481
Employee Benefits	6,289	8,724	15,013	10,634	9,310	8,423
Professional Fees	276	-	276	766	600	5,713
Supplies	1,881	1,716	3,597	4,453	2,859	2,439
Telecommunications	614	903	1,517	3,219	973	1,852
Occupancy	6,336	9,384	15,720	11,914	10,009	9,945
Postage	-	-	-	-	-	-
Printing and Publications	-	-	-	-	-	298
Staff Development	-	-	-	5,046	400	1,333
Travel	197	-	197	2,359	-	6,895
Insurance	1,037	1,516	2,553	1,968	1,656	1,589
Promotion and Advertising	-	-	-	-	-	-
Purchased Services	-	524	524	30,869	-	12,244
Technology and Other	638	35	673	293	1,000	7,773
Interest Expense	-	-	-	-	-	-
Depreciation	1,123	1,668	2,791	2,108	2,024	1,529
Special Projects/Scholarships	-	-	-	-	-	-
Total Expenses	$ 91,580	$ 130,439	$ 222,019	$ 211,337	$ 149,423	$ 163,582

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

YOUTHZONE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	PREVENTIONS PROGRAMS			INTERVENTION PROGRAMS *(CONTINUED ON NEXT PAGE)*		
	Youth Outreach & Mentoring	Parenting	Total Prevention Programs	DYC SB94/SB215	DCJ Diversion	Diversion/ Court Services
EXPENSES:						
Salaries and Benefits	$ 92,695	$ 42,895	$ 36,754	$ 76,147	$ 585,414	$ 2,609
Payroll Taxes and Work Comp	7,350	3,217	2,825	4,789	43,107	-
Employee Benefits	7,948	4,350	2,894	8,038	51,597	-
Professional Fees	562	-	-	-	7,641	-
Supplies	1,900	1,271	855	1,677	15,454	-
Telecommunications	1,163	408	292	627	8,534	-
Occupancy	9,021	4,071	3,132	6,247	54,339	-
Postage	-	-	-	-	-	-
Printing and Publications	-	-	-	163	461	-
Staff Development	927	2,842	8,356	-	18,904	-
Travel	653	2,824	1,760	1,980	16,471	-
Insurance	1,450	702	536	1,067	8,968	-
Promotion and Advertising	-	-	-	-	-	-
Purchased Services	-	815	8,476	7,509	59,913	-
Technology and Other	736	475	1,348	337	11,962	-
Interest Expense	-	-	-	-	-	-
Depreciation	1,611	710	527	1,099	9,608	-
Special Projects/Scholarships	-	-	-	-	-	24,398
Total Expenses	$ 126,016	$ 64,580	$ 67,755	$ 109,680	$ 892,373	$ 27,007

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

YOUTHZONE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	TOTAL PROGRAM SERVICES	SUPPORT SERVICES: Management and General	SUPPORT SERVICES: Fundraising	SUPPORT SERVICES: TOTAL SUPPORT SERVICES	GRAND TOTAL PROGRAM & SUPPT SERVICES EXPENSES
EXPENSES:					
Salaries and Benefits	$ 753,989	$ 40,763	$ 66,239	$ 107,002	$ 860,991
Payroll Taxes and Work Comp	56,299	13,660	4,021	17,681	73,980
Employee Benefits	66,610	9,824	5,557	15,381	81,991
Professional Fees	7,917	16,414	-	16,414	24,331
Supplies	19,051	789	1,368	2,157	21,208
Telecommunications	10,051	400	628	1,028	11,079
Occupancy	70,059	17,410	985	18,395	88,454
Postage	-	3,018	444	3,462	3,462
Printing and Publications	461	11,271	3,353	14,624	15,085
Staff Development	18,904	4,515	240	4,755	23,659
Travel	16,668	4,729	44	4,773	21,441
Insurance	11,521	3,476	1,058	4,534	16,055
Promotion and Advertising	-	11,286	85	11,371	11,371
Purchased Services	60,437	-	-	-	60,437
Technology and Other	12,635	33,794	211	34,005	46,640
Interest Expense	-	23,585	-	23,585	23,585
Depreciation	12,399	481	986	1,467	13,866
Special Projects/Scholarships	24,398	-	-	-	24,398
Total Expenses	$ 1,141,399	$ 195,415	$ 85,219	$ 280,634	$ 1,422,033

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

YOUTHZONE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 1,496,422	$ (53,527)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	29,407	13,866
(Increase) Decrease in Grants and Contributions Receivable	11,694	(62,544)
(Increase) Decrease in Pledges Receivable	(556,598)	-
(Increase) Decrease in Accounts Receivable	7,771	(6,423)
(Increase) Decrease in Prepaid Expenses	(4,394)	603
Increase (Decrease) in Accounts Payable	(9,131)	9,864
Increase (Decrease) in Accrued Liabilities	(18,270)	10,365
Increase (Decrease) in Deferred Revenues	-	(7,300)
Increase (Decrease) in Compensated Absences	(1,431)	3,404
Increase (Decrease) in Other Liabilities	-	250
Realized (Gain) Loss on Fixed Assets	2,831	395
Realized (Gain) Loss on Investments	(17,978)	10,021
Unrealized (Gain) Loss on Investments	(32,200)	(50,934)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	908,123	(131,960)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	1,130,945	1,531,210
Purchase of Investments	(915,335)	(1,400,316)
Purchase of Fixed Assets	(787,798)	(976,785)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(572,188)	(845,891)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Long-term Debt	-	925,000
Payment of Loan Costs	(5,967)	-
Repayment of Long-term Obligations	(8,414)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(14,381)	925,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	321,554	(52,851)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	145,645	198,496
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 467,199	$ 145,645

NOTE:		
Total cash used for interest payments during the fiscal year	$ 76,407	$ 21,401

NON-CASH TRANSACTIONS		
In-Kind Rent and Utilities	$ 42,065	$ 62,372
In-Kind Services	6,008	1,000
	$ 48,073	$ 63,372

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

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

ORGANIZATION

YouthZone, Inc. (the Corporation) is a non-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code and incorporated under Article 40, Title 7 of the Colorado Revised Statutes. Operations are centralized in Garfield County and in the Roaring Fork Valley of Colorado, which also includes Pitkin and West Eagle County.

The Corporation was formed in 1976 for charitable and educational purposes. The stated objectives of the Corporation include the promotion of programs concerning the problems and needs of youth and families; the development of cooperation and coordination among governmental and private agencies involved with youth and families; involvement of citizens of the community in the recognition of and solutions to youth and family problems and needs; the promotion of opportunities for all youth to be responsible, contributing members of society; and implementation of programs and proposals consistent with the purposes of the corporation. Through prevention, advocacy and direct services, YouthZone strives to enhance the quality of life in our communities.

The Corporation's support comes primarily through Federal, State and local grants, contracts and donor contributions. The Corporation provides services via individualized comprehensive programs to youth ages 6-18 years of age along a continuum of needs. The primary focus is on serving the underserved populations such as "at risk" youth, youth in the criminal justice system, single parents, teens and low-income families. Referrals from the court result in the agency working with youth from every socioeconomic level. No youth is denied services due to inability to pay a fee.

Prevention Philosophy
YouthZone believes that youth who actively participate in their community, are equipped with accurate information, and possess healthy life skills are less likely to engage in high risk behaviors including the abuse of alcohol, tobacco and other drugs. YouthZone prevention programming embraces this philosophy by providing a mentoring program, drug-free activities, education and community service opportunities.

Intervention Philosophy
YouthZone intervention philosophy is based on the principle of providing and/or finding the best possible services for each client. The client's needs are determined on an individual basis and include the client's parents and significant others concerned with the client's needs. YouthZone staff works with individual clients and families to provide tools for effective, positive behavior change.

The Corporation is governed by a Board of Directors which functions as a policy making board. The Bylaws dictate a membership of not less than five members. An Executive Director, whom is appointed by the Board, functions as the chief administrator and is directly responsible to the Board.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities,* subsection 205, *Presentation of Financial Statements,* effective January 1, 2018, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations. Under these provisions, net assets and revenues, and gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. The Corporation's Board may designate assets without restrictions for specific operational purposes from time to time.
>
> Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Corporation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor, if applicable, are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments are insured by the Securities Investor Protection Corporation (SIPC).

FAIR VALUE MEASUREMENTS

The Corporation has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements*, for financial and nonfinancial assets and liabilities measured at fair value on a recurring basis. That framework provides a hierarchy of fair value that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). *(See also Note 3 for additional disclosures.)*

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

ACCOUNTS RECEIVABLE/PLEDGES RECEIVABLE

The Corporation considers current receivables fully collectible and, after reasonable collection efforts are made, the direct write-off method is used for uncollectible accounts. Non-current pledges receivable have an allowance for doubtful accounts of $22,853 and are discounted by $46,217 to present value using a rate of 5.424%. Total pledges receivable (before discounting) are scheduled to be received years ending June 30th as follows:

2020	$ 168,600
2021	$ 162,100
2022	$ 141,300
2023	$ 126,500
2024	$ 27,168

PREPAID EXPENSES

At June 30, 2019 and 2018, prepaid expenses consisted of prepaid insurance of $5,328 and $4,117 and prepaid dues/fees of $4,519 and $1,336 respectively.

PROPERTY AND EQUIPMENT

Acquisitions of furniture, equipment, vehicles and other capital assets are capitalized at cost or, if donated, at the approximate fair value at the date of donation. It is the Corporation's policy to capitalize expenditures for these items in excess of $1,000 for assets with an estimated useful life of more than one year. Lesser amounts are expensed.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	40 years
Leasehold Improvements	20 years
Furniture and Equipment	5 years
Vehicles	5 years

COMPENSATED ABSENCES

It is the Corporation's policy to accrue compensated absences which encompass vacation time accrued as of fiscal year end based on the number of hours worked per month and length of employment as reflected on the accompanying Statement of Financial Position.

CONTRIBUTIONS

Unconditional contributions are recognized when pledged or recorded as net assets without donor restrictions or as net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit asset use. When the Corporation receives contributions to donor restricted endowments, the policy is to only spend earnings and not invade corpus of these permanently restricted funds. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

CONTRIBUTIONS - *continued*

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Any contributions that are restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. The Corporation also receives donated services from unpaid volunteers who assist in projects and provide program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since the criteria for recognition have not been satisfied.

SPENDING POLICY

As indicated above, when the Corporation receives contributions to donor restricted endowments, the policy is to only spend earnings and not invade corpus of these permanently restricted funds. The Board has adopted investment and spending policies for earnings on permanently restricted endowment funds to provide a predictable stream of funding operations while also maintaining the purchasing power of the assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Board has also set aside a designated reserve of net assets without donor restrictions for future ongoing support of the organization (See Note 11).

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board's understanding is that, unless expressly stated in a donor's gift, the historical value of the gift is not required to be maintained as its original nominal value. It is further understood that it is the responsibility of the Board to determine, in its sole discretion, the best strategy to use endowment fund assets to support operating needs consistent with the goal of maintaining a corpus at an adequate size to allow growth and support for the life of the Corporation. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as Board Designated unrestricted net assets. In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Corporation, and (7) the Corporation's investment policies.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

SPENDING POLICY - *continued*

The composition of endowment fund assets is as follows:

	Board Designated	Permanently Restricted	Total
Endowment Net Assets, June 30, 2017	$ 1,003,892	$ 16,422	$ 1,020,314
Contributions and Accumulated Earnings	53,677	1,392	55,069
Amounts Appropriated for Expenditures	(47,469)	-	(47,469)
Endowment Net Assets, June 30, 2018	1,010,100	17,814	1,027,914
Contributions and Accumulated Earnings	52,741	880	53,621
Amounts Appropriated for Expenditures	(35,508)	-	(35,508)
Endowment Net Assets, June 30, 2019	$ 1,027,333	$ 18,694	$ 1,046,027

SUPPORT AND REVENUE

The Corporation received grants revenue from Federal, State and local agencies. Support received from grants is recognized as funds are expended on contract activities. The Corporation receives client fees for services and recognizes these fees when earned.

ALLOCATION OF FUNCTIONAL EXPENSES

The majority of the Corporation's expenses are allocated on a consistent basis to the services benefited for program services, management and administration, and fundraising based on the percentage of time spent on each project or function compared to total time worked. In addition, costs which can be identified with specific activities are allocated directly to that program or function. Such allocations are determined by management. Indirect expenses that are allocated include the following:

Payroll Taxes & Employee Benefits
Professional Services for Accounting
Information Technology
Supplies, Postage & Repairs
Occupancy & Depreciation
Insurance Expense
Telecommunications Expenses

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from estimates.

INCOME TAXES

YouthZone, Inc., is a non-profit exempt under Code Section 501(c)(3) of the Internal Revenue Code with final approval dated May, 1976. The Corporation has been classified as an entity that is not a private foundation under Section 509(a)(2) and qualifies for charitable contribution deductions under Section 170(b)(1)(a). With exempt status, YouthZone, Inc., is exempt from Federal income taxes; therefore, no provision or liability for Federal income taxes has been included in these financial statements. There was no unrelated business income for the years ending June 30, 2019 and 2018.

NOTE 1 - *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

INCOME TAXES - *continued*

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, YouthZone, Inc., follows the use of a two-step approach for recognizing and measuring tax positions taken or expected to be taken in a tax return. First, a tax position should only be recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the taxing authority. Second, a tax position that meets the recognition threshold should be measured at the largest amount that has a greater than 50 percent likelihood of being sustained. YouthZone, Inc., had no material unrecognized tax benefits for the years ended June 30, 2019 and 2018, and no interest or penalties were accrued for unrecognized tax benefits during the year.

YouthZone, Inc., is no longer subject to Federal or State income tax examinations by tax authorities for the years before 2015.

NOTE 2 - *FAIR VALUES OF FINANCIAL INSTRUMENTS*

The Corporation has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements*, for financial and non-financial assets and liabilities measured at fair value on a recurring basis. The Corporation's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and investments. Management estimates that the fair value of all financial instruments at June 30, 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and cash equivalents approximate fair values because of short maturities of those instruments.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value measurement uses a three tier hierarchy. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - *inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;*

Level 2 - *inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;*

Level 3 - *inputs are unobservable and reflect assumptions on the part of the reporting entity;*

NOTE 2 - *FAIR VALUES OF FINANCIAL INSTRUMENTS - continued*

The following table summarizes the recurring basis valuation of the Corporation's operating and endowment investments using the fair value hierarchy levels as of June 30:

	2019		
	Fair Value	Level 1	Level 3
Money Market (operating cash)	$ 72,128	$ 72,128	$ -
Trading Securities (operating)	217,401	217,401	-
Money Market (endowment)	50,468	50,468	-
Trading Securities (endowment)	968,237	968,237	-
Beneficial Interest in Fdtns (endowment)	27,322	-	27,322
Total-*Recurring Basis*	$ 1,335,556	$ 1,308,234	$ 27,322

	2018		
	Fair Value	Level 1	Level 3
Money Market (operating cash)	$ 64,935	$ 64,935	$ -
Trading Securities (operating)	400,947	400,947	-
Money Market (endowment)	41,126	41,126	-
Trading Securities (endowment)	960,224	960,224	-
Beneficial Interest in Fdtns (endowment)	26,563	-	26,563
Total-*Recurring Basis*	$ 1,493,795	$ 1,468,232	$ 26,563

NOTE 3 - *LIQUIDITY*

The Corporation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2019	2018
Unrestricted Cash and Cash Equivalents	$ 256,509	$ 128,655
Grants and Contributions Receivable	109,615	121,309
Other Accounts Receivables	7,044	14,815
	$ 373,168	$ 264,779

The Corporation's financial assets listed above are not subject to donor-imposed restrictions within one year of the balance sheet date or amounts set aside for long-term investing in endowments. As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Board of directors has set aside designated reserves in the amount of $1,027,333 that are also available upon Board approval.

NOTE 4 - *CASH AND CASH EQUIVALENTS*

The Corporation maintains bank accounts at several financial institutions located in Colorado. Accounts at each of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) Bank balances of $381,509 were covered by FDIC at June 30, 2019. The Corporation also holds money market and investment accounts insured by the Securities Investor Protection Corporation (SIPC).

A summary of cash and cash equivalents follows:

	2019	2018
Bank Balances - Checking and Savings	$ 410,380	$ 91,969
Money Market – Operating	72,128	64,935
Net Outstanding Items	(15,309)	(11,259)
Total Carrying Balances	$ 467,199	$ 145,645

NOTE 5 - *LONG-TERM INVESTMENTS*

Total long-term investments at June 30 are summarized as follows:

	2019	2018
Money Market - Endowment	$ 50,468	$ 41,126
Government & Agency Securities	185,663	190,824
High-Grade Corporate Bonds	131,144	171,280
Mutual Funds	153,800	187,519
Corporate Stocks, Options & ETFs	715,031	811,548
Beneficial Interest Held by Foundations	27,322	26,563
	$ 1,263,428	$ 1,428,860

During the years ended June 30, 2019 and 2018, investments generated the following items that are reflected on the statement of activities as investment income:

	2019	2018
Dividends and Interest	$ 35,584	$ 40,255
Realized Gain/(Loss)	17,978	(10,021)
Unrealized Gain/(Loss)	31,252	48,855
Unrealized Gain/(Loss) in Beneficial Interest	948	2,079
Investment Fees and Taxes	(20,780)	(22,208)
	$ 64,982	$ 58,960

NOTE 5 - *LONG-TERM INVESTMENTS - continued*

Investment ratings, maturity and interest rates for government and corporate notes and bonds as of June 30, 2018 are as follows:

	Rating	Maturity Date	Interest Rate
Government Agency Securities:			
US Treasury Note	Aaa/AAA	09/30/20	1.375%
US Treasury Note	Aaa/AAA	09/30/20	1.375%
US Treasury Note	Aaa/AAA	10/31/20	1.750%
US Treasury Note	Aaa/AAA	04/30/22	1.750%
US Treasury Note	Aaa/AAA	04/30/22	1.750%
US Treasury Bond	Aaa/AAA	08/15/23	6.250%
US Treasury Bond	Aaa/AAA	08/15/23	6.250%
US Treasury Note	Aaa/AAA	07/31/24	2.125%
US Treasury Note	Aaa/AAA	07/31/24	2.125%
US Treasury Note	Aaa/AAA	02/15/26	1.625%
US Treasury Bond	Aaa/AAA	08/15/28	5.500%
US Treasury Bond	Aaa/AAA	08/15/28	5.500%
US Treasury Note	Aaa/AAA	01/15/29	0.875%
US Treasury Note	Aaa/AAA	01/15/29	0.875%
Corporate Bonds and Notes:			
GE Capital Corp Med Term Note	BBB+/Baa1	09/16/20	4.375%
GE Capital Corp Med Term Note	BBB+/Baa1	09/16/20	4.375%
Intl Lease Fin Corp Sr Notes	BBB-/Baa3	08/15/22	5.875%
Intl Lease Fin Corp Sr Notes	BBB-/Baa3	08/15/22	5.875%
Bank Amer Corp Sr Note	A-/A2/A+	04/24/23	2.881%
Goldman Sach Group Var	BBB+/A3/A	07/24/23	2.905%
Goldman Sach Group Var	BBB+/A3/A	07/24/23	2.905%
Morgan Stanley Sr Note	BBB+/A3/A	10/24/23	3.981%
Morgan Stanley Sr Note	BBB+/A3/A	10/24/23	3.981%
JPMorgan Chase & Co Note	A-/A2/AA-	04/23/24	3.559%
JPMorgan Chase & Co Note	A-/A2/AA-	04/23/24	3.559%
Morgan Stanley	BBB+/A3/A	04/24/24	3.737%
Bank Amer Corp	A-/A2/A+	03/15/25	3.458%
Bank Amer Corp	A-/A2/A+	03/15/25	3.458%
Energy Transfer Partners Sr Notes	BBB-/Baa3	03/15/25	4.050%
Energy Transfer Partners Sr Notes	BBB-/Baa3	03/15/25	4.050%
Hollyfrontier Corp Sr Note	BBB-/Baa3	04/01/26	5.875%
Hollyfrontier Corp Sr Note	BBB-/Baa3	04/01/26	5.875%
Goldman Sach Group Var	BBB+/A3/A	10/28/27	4.515%
Ford Motor Co Global Note	BBB/Baa3	07/16/31	7.450%
TransCanada Trust Var Note	BBB-/Baa3	08/15/76	5.875%

Maturity Schedule	0-5 Years	6-15 Years	16+ Years
Amount Maturing	$ 197,000	$ 93,000	$ 6,000
Current Market Value	$ 204,666	$ 105,983	$ 6,158
Percent of Total Market Value	65%	33%	2%

NOTE 6 - *BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATIONS*

Included in long-term investments are endowment fund assets held by 3rd party foundations. Amounts reported in the statement of financial position as beneficial interest represent permanently restricted endowment assets held by the foundations and accumulated earnings and losses thereon. The foundations hold and invest the funds on behalf of the Corporation and distributions are made to the Corporation in accordance with the original endowment fund agreements. Gains and losses associated with these funds are recorded as an increase (decrease) in unrestricted net assets. Total funds held by the 3rd party foundations as of June 30, 2019 are as follows:

Aspen Community Foundation – Corpus	$ 11,000
Aspen Community Foundation – Accum Earnings	8,628
Western Colorado Community Foundation – Corpus	7,694
Western Colorado Community Foundation – Accum Earnings	-
Total Beneficial Interest	$ 27,322

NOTE 7 - *CAPITAL ASSETS*

The following is a summary of capital assets as of June 30:

	2019	2018
Building and Improvements	$ 1,697,817	$ 1,259,935
Leasehold Improvements	308,027	247,985
Furniture & Equipment	67,914	56,421
Less Accumulated Depreciation	(190,327)	(436,544)
Loan Fees, Net of Accum Amortization	5,892	-
TOTALS	$ 1,889,323	$ 1,127,797

Depreciation expense as of June 30 has been allocated as follows:

	2019	2018
Programs	$ 21,286	$ 11,139
Management and General	5,305	1,682
Fundraising	2,742	1,045
TOTALS	$ 29,333	$ 13,866

NOTE 8 - *LONG-TERM OBLIGATIONS*

On February 20, 2018, the Corporation entered into a short-term promissory note in the amount of $925,000 for the purposes of acquiring real property in Glenwood Springs, Colorado, at an interest rate of 3.5% in excess of the prime rate of interest, with payments of interest only due on the 20th day of each month commencing March 20, 2018 until permanent financing was acquired as entailed in the following paragraph.

The promissory note referred to in the first paragraph above was refinanced on April 4, 2019, at a rate of 5.424%, with 240 monthly payments of principal and interest in the amount of $6,324 due monthly beginning May 4, 2019 through March 4, 2039. It is the intent of the Corporation to fund outstanding principal via its capital campaign during fiscal year 2020 or as soon as possible thereafter.

Total interest expense during the year ended June 30, 2019 and 2018, was $75,449 and $23,585 respectively.

NOTE 9 - *COMMITMENTS*

The Corporation leases office space and copier equipment, the amounts for which are immaterial to the financial statements taken as a whole; therefore, no long-term commitments for leases are recorded in the accompanying financial statements.

NOTE 10 - *RETIREMENT PLAN*

The Corporation has a SIMPLE IRA retirement plan which covers all employees. The Corporation matches 100% of pre-tax contributions up to 3% of salary deferral elected by each eligible employee. The Corporation's contributions for the years ended June 30, 2019 and 2018 were $12,550 and $17,407 respectively.

NOTE 11 - *NET ASSETS WITHOUT DONOR RESTRICTIONS*

Included in Net Assets without donor restrictions at June 30, 2019 and 2018 are Board Designated reserves in the amount of $1,027,333 and $1,010,100 respectively.

NOTE 12 - *NET ASSETS WITH DONOR RESTRICTIONS*

Temporarily restricted net assets at June 30, 2019 and 2018 consisted of $3,570 and $3,385 for scholarships, $134,989 and $118,189 for special projects and $765,987 and $0 for YouthZone's capital campaign. Permanently restricted net assets at June 30, 2019 and 2018 consisted of $18,694 and $17,814, respectively, which represent endowment corpus amounts held by 3rd party foundations for the beneficial interest of the Corporation (see also Note 6 above).

NOTE 13 - *GOVERNMENT GRANTS*

The Corporation received Federal, State and Local government grants to carry on certain activities and programs included in grant revenues on the Statement of Activities:

	2019	2018
Colorado Division of Youth Corrections:		
SB94 Program	$ 187,610	$ 187,929
SB215 Program	26,327	20,893
Restorative Justice Program	99,406	99,939
Colorado Division of Criminal Justice:		
Diversion Program	102,746	94,042
Certified Addiction Counselor Training	13,230	450
Colorado Division of Human Services:		
SOC Grant	67,700	49,081
Trusted Adult Pilot Program	-	13,483
Local Government Grants:		
Garfield County – DHS/FACET Program	76,187	61,987
Garfield County – Diversion Program	58,000	58,000
Garfield County – Human Services Grant	45,000	41,000
Pitkin County – HHS Grant	45,000	45,000
Rifle Municipal Grant	4,099	3,199
Total Government Grants	$ 725,305	$ 675,003

NOTE 14 - *CONTRIBUTED MATERIALS & SERVICES*

The Corporation receives donations in the form of reduced or free rental of office space. The difference between the fair market value and actual rent paid was $42,065 and $62,372 in 2019 and 2018, respectively, which has been reflected in the statement of activities in expenses and in-kind operational contribution revenue.

Other in-kind professional services of $6,008 and $1,000 were received in fiscal years 2019 and 2018, respectively.

The Corporation does not recognize any support or expense from services contributed by volunteers as the value of these services is not susceptible to objective measurement or valuation.

NOTE 15 - *SUBSEQUENT EVENTS*

In accordance with SFAS No. 165, the management of YouthZone, Inc., has evaluated events subsequent to June 30, 2019 through the issuance date of this report. There has been no material event noted during this period that would either impact the results reflected in this report or YouthZone's results going forward.

NOTE 16 - *IMPLEMENTATION OF FASB ASU 2016-14*

YouthZone, Inc., has implemented the provisions of Financial Accounting Standards Board (FASB) ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* As a result of the implementation of FASB ASU 2016-14, net asset classes have been reduced from three to two (any amounts previously reported as temporarily or permanently restricted are reported as Net Assets with Donor Restrictions, and any amounts previously reported as unrestricted net assets are reported as Net Assets Without Donor Restrictions). In addition, FASB ASU 2016-14 also requires all not-for-profit organizations to provide information on expenses by both functional and natural categories (presented in the accompanying statement of functional expenses), and requires changes to the content of note disclosures regarding liquidity, quantitative measures of the amount of financial resources available, and methods used to allocate costs among program and supporting activities, the content of which have been adopted in the related notes to the financial statements.