

WESTERN YOUTH SERVICES
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
WITH INDEPENDENT AUDITORS' REPORT



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JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Western Youth Services

We have audited the accompanying financial statements of Western Youth Services (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Youth Services as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
November 23, 2020

WESTERN YOUTH SERVICES
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 2,832,037
Accounts receivable	1,982,626
Prepaid expenses	<u>17,690</u>
Total Current Assets	4,832,353
Property and Equipment, Net	600,100
Other Assets - Deposits	<u>154,027</u>
Total Assets	<u><u>\$ 5,586,480</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 165,496
Accrued payroll and payroll taxes	757,698
Accrued vacation and benefits	697,528
Current portion of lease incentive	37,551
Other liabilities and accruals	<u>27,098</u>
Total Current Liabilities	1,685,371
Long-Term Liabilities:	
Paycheck Protection Program note payable	2,391,000
Lease incentive, net of current portion	<u>112,655</u>
Total Long-Term Liabilities	<u>2,503,655</u>
Total Liabilities	4,189,026
Net Assets:	
Without donor restrictions	1,397,454
With donor restrictions	<u>-</u>
Total Net Assets	<u>1,397,454</u>
Total Liabilities and Net Assets	<u><u>\$ 5,586,480</u></u>

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

WESTERN YOUTH SERVICES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020

Revenue, Gains, and Support:	
Service contracts - county agencies	\$ 14,085,503
Service contracts - schools, community, and other programs	4,234,723
Contributions and fundraising	<u>28,949</u>
Total Revenue, Gains, and Support	<u>18,349,175</u>
Expenses:	
Program services	16,474,139
Management and general	<u>2,068,168</u>
Total Expenses	<u>18,542,307</u>
Change in Total Net Assets	(193,132)
Total Net Assets, Beginning of Year	<u>1,590,586</u>
Total Net Assets, End of Year	<u><u>\$ 1,397,454</u></u>

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

**WESTERN YOUTH SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services			Supporting Services Management and General	Total Expenses
	Orange County Agencies	City and Community Organizations	Total Program Expenses		
Salaries and wages	\$ 7,927,998	\$ 3,890,591	\$ 11,818,589	\$ 1,454,890	\$ 13,273,479
Payroll taxes	587,758	306,518	894,276	100,834	995,110
Employee benefits	675,692	270,638	946,330	154,823	1,101,153
Total personnel services	9,191,448	4,467,747	13,659,195	1,710,547	15,369,742
Professional and outside services	557,427	47,073	604,500	50,695	655,195
Supplies and other office expenses	55,566	14,722	70,288	21,803	92,091
Telephone and utilities	205,794	29,698	235,492	20,114	255,606
Facilities and equipment rental	1,140,302	4,089	1,144,391	130,198	1,274,589
Program supplies	96,578	17,037	113,615	372	113,987
Recruitment, development, training, and outreach	90,236	4,720	94,956	34,517	129,473
Computer and IT	130,553	34,298	164,851	21,950	186,801
Travel	28,429	16,200	44,629	13,625	58,254
Dues, subscriptions, and licenses	123,442	46,218	169,660	44,037	213,697
Insurance	48,248	15,267	63,515	5,871	69,386
Miscellaneous expenses	4,190	-	4,190	3,076	7,266
Depreciation	104,524	333	104,857	11,363	116,220
Total Functional Expenses	<u>\$ 11,776,737</u>	<u>\$ 4,697,402</u>	<u>\$ 16,474,139</u>	<u>\$ 2,068,168</u>	<u>\$ 18,542,307</u>

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

**WESTERN YOUTH SERVICES
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

Cash Flows from Operating Activities:	
Change in Total Net Assets	\$ (193,132)
Noncash Items Included in Change in Total Net Assets:	
Depreciation expense	116,220
Amortization of lease incentive	(37,551)
Changes in:	
Accounts receivable	(134,261)
Deposits	(8,474)
Accounts payable	(52,701)
Accrued payroll and payroll taxes	281,897
Accrued vacation and benefits	143,494
Other liabilities and accruals	<u>(359,736)</u>
Net Cash and Cash Equivalents Used in Operating Activities	(244,244)
Cash Flows from Investing Activities:	
Purchase of property and equipment	<u>(304,759)</u>
Net Cash and Cash Equivalents Used in Investing Activities	(304,759)
Cash Flows from Financing Activities:	
Proceeds on Paycheck Protection Program note payable	<u>2,391,000</u>
Net Cash and Cash Equivalents Provided by Financing Activities	<u>2,391,000</u>
Net Increase in Cash and Cash Equivalents	1,841,997
Cash and Cash Equivalents – Beginning of Year	<u>990,040</u>
Cash and Cash Equivalents – End of Year	<u><u>\$ 2,832,037</u></u>
Supplemental Disclosure:	
Interest paid	<u><u>\$ 3,224</u></u>

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

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies

Organization

Western Youth Services (“WYS” or the “Organization”) was incorporated September 21, 1979. WYS’s mission is to advance awareness, cultivate success, and strengthen communities through integrated mental health services for children, youth, and families.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP.

In accordance with US GAAP, the accounts of the Organization are reported in the following net asset categories:

- *Net Assets without Donor Restrictions* – Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions, including the carrying value of all unrestricted physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include revenue and contributions related to expenses associated with core programs.
- *Net Assets with Donor Restrictions* – Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit an organization to use or expend part or all the income derived from the contribution. Donor-imposed restrictions are released when a restriction expires (that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both).

The Organization records gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year are recorded as net assets without donor restrictions in the accompanying statement of activities and changes in net assets.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

Support and Revenue Recognition

The majority of the Organization's revenue and support is derived from federal and state pass-through funds from certain counties of California. Support received is recognized on an accrual basis based on funding provided through the term of the individual contracts, as specified by the contracting entity. Amounts received prior to meeting the performance requirements are reported as refundable advances in the statement of financial position. The Organization received federal and state pass-through funds of \$153,029 that have been recorded as an advance payment and is included in current liabilities on the statement of financial position.

Other support is from contributions from individuals and businesses. The Organization recognizes contributions when cash or other assets are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. There are no conditional promises to give at June 30, 2020.

Accounts Receivable

The Organization's accounts receivable are primarily reimbursements and fees from governmental agencies. They are based on services performed by the Organization as written under contractual agreements. Management believes that the receivables are collectible and thus did not record an allowance for doubtful accounts as of June 30, 2020.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation if purchased or estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from five to seven years. Leasehold improvements are capitalized at cost and amortized over the shorter of the lease term or the estimated useful life of the related asset. Depreciation expense for the year ended June 30, 2020, was \$116,220.

Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, or once property and equipment have been fully depreciated, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the statement of activities and changes in net assets.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Long-Lived Assets and Asset Impairment

The Organization accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires that impairment losses be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of the value of such assets for the year ended June 30, 2020.

Functional Allocation of Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses that are attributable to more than one program require allocation on a reasonable basis that is consistently applied. Expenses are allocated in the following ways: labor expenses, including salaries, payroll taxes, workers' compensation, and employee benefits, are allocated based on the percentage of time that each employee spends working on projects specific to the program or supporting function; and nonlabor indirect expenses are allocated based on each program's direct expenses. Occupancy expenses are allocated based on the square footage of the buildings dedicated to functional areas.

Donated Materials and Services

Contributions of donated noncash assets are measured on a nonrecurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

Contributed services are recognized as contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, 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 Organization. Such items are capitalized or charged to operations at fair value as appropriate. During the year ended June 30, 2020, the Organization did not receive any donated professional services. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements. A number of unpaid volunteers have made significant contributions of their time to the Organization. However, the value of these services is not reflected in these financial statements because the recognition criteria under FASB ASC 958-605 were not met.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code as a charitable organization whereby only unrelated business income is subject to income tax. The Organization had no unrelated business income during the year ended June 30, 2020. Accordingly, there is no provision for income taxes in the accompanying financial statements.

In accordance with FASB ASC 740-10-25, *Income Taxes*, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The Organization does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties at June 30, 2020. The Organization's tax years from 2016 to 2019 are open to review for federal tax purposes, and tax years from 2015 to 2019 are open to review for state income tax purposes.

Contracts

Contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds are used in accordance with their respective guidelines and regulations. The potential exists for the disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits, cannot be reasonably estimated, and accordingly, the Organization has no provision for the possible disallowance of program costs on its financial statements.

Use of Estimates

The process of preparing financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements – Pending

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes new revenue recognition guidance (“ASC 606”), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASC 606 on the presentation of its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

New Accounting Pronouncement – Adopted

As of July 1, 2019, the Organization adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard helps not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASC 606. If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. There was no material impact to the financial statements as a result of the adoption of ASU 2018-08. Accordingly, no adjustment to opening net assets was recorded.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2: Liquidity

The Organization’s financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30, 2020:

Cash and cash equivalents	\$ 2,832,037
Accounts receivable	<u>1,982,626</u>
 Total Financial Assets Available to Meet General Expenditures within One Year	 <u>\$ 4,814,663</u>

As part of the Organization’s liquidity management, financial assets are to be available as its general expenditures, liabilities, and other obligations become due. In the event of an unanticipated liquidity need, the Organization could draw upon its line of credit (Note 6).

Note 3: Concentrations, Risks, and Uncertainties

The Organization maintains cash balances at multiple financial institutions. At June 30, 2020, accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At times, the Organization maintained cash balances at certain financial institutions in excess of the federally insured amounts.

The Organization receives a substantial portion of its revenue from one contracting entity. Revenue from the entity aggregated approximately \$13,424,000 for the year ended June 30, 2020. At June 30, 2020, amounts due from that entity, which are reflected in accounts receivable, totaled approximately \$1,195,000.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of the spread of coronavirus (“COVID-19”). In March 2020, the WHO declared the COVID-19 outbreak a pandemic based on the rapid increase of the virus and its global exposure. In addition, several US states, including California where the Organization is headquartered, have declared a state of emergency. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

**WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 3: Concentrations, Risks, and Uncertainties (Continued)

The Organization continues to examine the impact that the CARES Act may have on its operations. Currently, management is unable to determine the impact that the CARES Act will have on the Organization's financial condition, results of operations, or liquidity.

Note 4: Property and Equipment

Property and equipment consist of the following at June 30, 2020:

Computers and office equipment	\$ 774,840
Furniture and fixtures	109,204
Leasehold improvements	<u>311,585</u>
	1,195,629
Less: Accumulated depreciation	<u>(595,529)</u>
Property and Equipment, Net	<u>\$ 600,100</u>

Note 5: Note Payable

At June 30, 2020, note payable consists of the following:

Small Business Administration ("SBA") Paycheck Protection Program loan as a result of the effects of the COVID-19 outbreak; SBA loaned the Organization \$2,391,000. Any amounts not forgiven by the SBA will be repaid at an interest rate of 1%, maturing April 2022.	<u>\$ 2,391,000</u>
Subtotal	2,391,000
Less: Current portion of note payable	<u>(-)</u>
Note Payable - Long Term	<u>\$ 2,391,000</u>

Note 6: Line of Credit and Letters of Credit

During the fiscal year 2020, the Organization has available a line of credit agreement with Pacific Western Bank for \$952,000 that is collateralized by the Organization's assets. Interest is payable monthly at a current variable rate of 6.25% with principal payable periodically or in full at the maturity date of February 15, 2021. As of June 30, 2020, there was no outstanding loan balance. Management intends to renew the line of credit agreement.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6: Line of Credit and Letters of Credit (Continued)

In fiscal year 2017, the Organization entered into a seven-year lease for office space. Terms of the agreement required that the Organization secure its rent obligation with standby letters of credit from Pacific Western Bank, which are included in the line of credit as undisbursed reserved principal. The landlord may exercise the letters of credit in the event of rent payment defaults. On the condition that no event of rent payment default occurs, the remaining available letters of credit amounts will be reduced annually on August 1 each year. As of June 30, 2020, the letter of credit amount was \$151,580.

Note 7: Lease Incentive

As of June 30, 2020, the Organization has a remaining lease incentive of \$150,206. The annual allowance of \$37,551 is being applied as a reduction to the annual rent expense, amortized on a straight-line basis over the lease term. The lease incentive will be amortized through June 2024, which corresponds with the lease period.

Note 8: Commitments and Contingencies

The Organization has several operating leases for office space that expire at various dates through 2025. Several leases contain extension options. There are also several noncancelable operating leases for office equipment.

The following schedule indicates future minimum lease payments under the noncancelable operating leases for office space:

2021	\$ 1,118,767
2022	939,675
2023	757,712
2024	479,968
2025	<u>175,482</u>
Total	<u>\$ 3,471,604</u>

Total rent expense, including common area maintenance expenses, related to these leases for the year ended June 30, 2020, totaled approximately \$1,249,000.

Note 9: Retirement Plan

The Organization has a Section 403(b) deferred tax annuity plan covering all eligible employees electing to participate. The Organization's contribution to the plan for the year ended June 30, 2020, was approximately \$134,000. The Organization also pays for certain expenses on behalf of the plan.

WESTERN YOUTH SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 10: Subsequent Events

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of November 23, 2020, which is the date the financial statements were available to be issued.



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INDEPENDENT AUDITORS' 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*

Board of Directors
Western Youth Services
Laguna Hills, California

We have audited, in accordance with 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 Western Youth Services (the "Organization"), which comprise the statement of financial position as of June 30, 2020, 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 November 23, 2020.

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 the 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.

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Irvine, California
November 23, 2020

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

