

**YOUTH EMPOWERMENT
PROJECT**

FINANCIAL REPORT

JUNE 30, 2020

YOUTH EMPOWERMENT PROJECT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth Empowerment Project
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Youth Empowerment Project, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Empowerment Project as of June 30, 2020, and the results of its activities and 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Youth Empowerment Project's basic financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to the Executive Director is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of Youth Empowerment Project'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 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 Youth Empowerment Project's internal control over financial reporting and compliance.

Kushner LaGraize, L.L.C.

Metairie, Louisiana

October 8, 2020

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FINANCIAL POSITION

ASSETS

Current Assets	JUNE 30, 2020	
Cash and cash equivalents (Note 2)		\$ 1,030,829
Cash and cash equivalents restricted (Note 2)		135,643
Investments (Note 3)		49,801
Promises to give, net (Note 4)		610,760
Reimbursements receivable (Note 5)		187,203
Inventory (Note 2)		53,340
Prepaid expenses and other assets (Note 2)		<u>78,117</u>
Total current assets		2,145,693
Assets restricted to investment in property, Property, furniture, and equipment (Note 7) cost less accumulated depreciation		1,283,584
Promises to give, net (Note 4)		186,702
Operating lease right-of-use asset		<u>120,783</u>
Total assets		<u><u>\$ 3,736,762</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable		\$ 24,913
Deferred revenue (Note 2)		270,000
Operating lease liability (Note 8)		39,076
Mortgage payable (Note 11)		<u>308,763</u>
Total current liabilities		642,752
Operating lease liability, net of current maturities (Note 8)		81,707
SBA CARES Loan (Note 12)		<u>560,447</u>
Total long-term liabilities		<u>642,154</u>
Total liabilities		<u>1,284,906</u>
Net Assets		
Without donor restrictions		2,337,152
With donor restrictions (Note 13)		<u>114,704</u>
Total net assets		<u>2,451,856</u>
Total liabilities and net assets		<u><u>\$ 3,736,762</u></u>

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues and reclassifications			
Public support:			
Grants - United Way	\$ -	\$ 45,000	\$ 45,000
Grants - Federal Government	744,751	-	744,751
Grants - Other	1,563,324	205,669	1,768,993
Contributions	1,582,220	-	1,582,220
Total public support	<u>3,890,295</u>	<u>250,669</u>	<u>4,140,964</u>
Revenues			
Program service revenue	195,840		195,840
Other income	14,368		14,368
Total revenues	<u>210,208</u>		<u>210,208</u>
Reclassifications:			
Net assets released from restrictions	1,047,806	(1,047,806)	
Total reclassifications	<u>1,047,806</u>	<u>(1,047,806)</u>	
Total support, revenues and reclassifications	<u>5,148,309</u>	<u>(797,137)</u>	<u>4,351,172</u>
Expenses			
Program services	3,445,958		3,445,958
Supporting services:			
Management and general	469,395		469,395
Fundraising	312,822		312,822
Total supporting services	<u>782,217</u>		<u>782,217</u>
Total expenses	<u>4,228,175</u>		<u>4,228,175</u>
Changes in net assets	920,134	(797,137)	122,997
Net assets, beginning of the year as originally stated	<u>1,417,018</u>	<u>1,281,081</u>	<u>2,698,099</u>
Prior period adjustment	<u>-</u>	<u>(369,240)</u>	<u>(369,240)</u>
Net assets, beginning of the year as restated	<u>1,417,018</u>	<u>911,841</u>	<u>2,328,859</u>
Net assets, end of the year	<u>\$ 2,337,152</u>	<u>\$ 114,704</u>	<u>\$ 2,451,856</u>

The accompanying notes are an integral part of this financial statement.

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from federal government	\$ 848,982
Cash received from state, local and private support	3,549,131
Cash received from program services	195,840
Cash received from other income	14,368
Cash payments for operating expenses	(1,339,420)
Cash payments for employee salaries and benefits	<u>(2,888,755)</u>
Net cash provided by operating activities	380,146

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	<u>(1,055)</u>
Net cash used by investing activities	(1,055)

CASH FLOWS FROM FINANCING ACTIVITIES:

Cash received from SBA Cares loan	560,447
Payments on mortgage payable	<u>(187,925)</u>
Net cash provided by financing activities	<u>372,522</u>
Net increase in cash, cash equivalents and restricted cash	751,613
Cash, cash equivalents and restricted cash at beginning of year	<u>414,859</u>
Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 1,166,472</u></u>

Supplemental Information

Interest expense	<u>\$ 23,171</u>
Operating lease right-of-use asset, net change	<u>\$ 24,823</u>
Operating lease liability, net change	<u><u>\$ 24,823</u></u>

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

**YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSE
		MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	
Salaries	\$ 2,077,692	\$ 265,300	\$ 247,612	\$ 512,912	\$ 2,590,604
Payroll Taxes	153,652	27,216	16,964	44,180	197,832
Benefits (Note 14)	231,312	30,208	36,631	66,839	298,151
Computer Network and Software Expenses	81,106	3,879	-	3,879	84,985
Consultants and Professional Services	101,166	5,413	713	6,126	107,292
Depreciation	-	46,265	-	46,265	46,265
General Insurance	68,257	8,020	-	8,020	76,277
Interest Expense	-	17,202	-	17,202	17,202
Miscellaneous	43,601	3,323	120	3,443	47,044
Office Expense	51,822	13,057	8,721	21,778	73,600
Rent (Note 9)	45,890	-	-	-	45,890
Repairs and Maintenance	53,325	43,022	-	43,022	96,347
Training	12,044	542	-	542	12,586
Travel and Meetings	28,057	1,439	368	1,807	29,864
Utilities and Telephone	90,195	4,509	1,693	6,202	96,397
Youth Related Expenses	407,839	-	-	-	407,839
Total	\$ 3,445,958	\$ 469,395	\$ 312,822	\$ 782,217	\$ 4,228,175

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

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – NATURE OF ACTIVITIES

Organizational History

The Youth Empowerment Project (YEP) is a 501(c)(3) non-profit organization that is based in New Orleans, LA. When YEP's founders started the organization in 2004, YEP was established as the first ever re-entry program for juvenile offenders in the state of Louisiana. Today, 15 years later, YEP is the largest and most comprehensive agency focused on serving at-risk, court-involved and out-of-school New Orleans youth.

Since our inception, YEP has earned local, statewide, national and international recognition for being at the cutting edge of innovative and impactful programs for vulnerable and underserved youth. We have grown significantly since our founding in 2004 and we have steadily secured new funding relationships; added community partnerships; and increased the number of youth we serve. In our first year of operation, YEP had one program; served 25 youth; and had an annual budget of \$235,000. Currently, we serve over 1,200 participants annually through multiple programs divided across four main focus areas: Mentoring/Youth Advocacy (YEP Mentors); Enrichment Services (YEP Enriches); Adult Education/Post-Secondary Transition Services (YEP Educates); and Employment Readiness and Placement Services (YEP Works).

Who We Serve

Through our programs, the Youth Empowerment Project reaches over 900 New Orleans youth between the ages of 7-24 each year. The vast majority of young people served reside in neighborhoods negatively impacted by poverty, crime, unemployment and violence. And, many YEP youth live in households that are struggling to cover the costs of basic needs (food, clothing and shelter) and have been personally touched by violence. During the most recent fiscal year, 91% of young people served by YEP were African American, 76% of participants indicated they had an annual income of less than \$20,000 and 68% resided in female headed households.

What We Do

YEP is one of the only youth development organizations in the Greater New Orleans region that provides comprehensive services to underserved young people between the ages of 7-24. All of YEP's community-based services are free of charge to eligible participants. Through its programs, YEP addresses key challenges and barriers that young people face that often impede their ability to fulfill their potential. YEP offers programming through the four following service areas:

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – NATURE OF ACTIVITIES - continued

- YEP Mentors – providing at-risk young people with intensive, community-based mentoring and supportive services that include:
 1. Juvenile Justice Mentoring – offering intensive, individualized mentoring and supportive services to youth and their families to help support young people who are at various levels of involvement with the juvenile justice system. YEP has operated its Juvenile Justice Mentoring programming in partnership with the Louisiana Office of Juvenile Justice for the past 15 years.
 2. Community-Based Prevention – supporting youth ages 8-17 referred by the Families In Need of Services (FINS) program in St. Charles and Orleans Parish by providing youth with mentoring, tutoring, counseling and other wrap-around services.
 3. Community-Based Mentoring – supporting youth ages 8-16 who are not court-involved but are at-risk for delinquent behavior by providing them with mentoring, enrichment programming, counseling and other wrap-around services.

- YEP Enriches – providing children with an array of programs during out-of-school time that include:
 1. Afterschool Program – providing youth ages 7-18 with academic support, group activities, art and music classes, a variety of fun and educational field trips, assistance with basic needs, and individualized mentoring services.
 2. Summer Camp – providing youth ages 7-12 with a fun, six-week educational and engaging summer camp experience.
 3. Camp Mariposa – providing overnight camping trips to children between the ages of 9-12 who are impacted by substance abuse in their families with six weekend camping trips a year and ongoing supplemental mentoring activities through the year.

- YEP Educates – providing individuals 16 and older with high school equivalency (HiSET) instruction, wrap-around supportive services and assistance with postsecondary enrollment and retention. YEP operates:
 1. NOPLAY – the largest adult education program in New Orleans that specializes in providing high school equivalency and adult basic education services to out-of-school youth (ages 16-24). NOPLAY is one of only five programs in New Orleans recognized by the State of Louisiana as an official provider of adult education services.
 2. The Village – a self-contained, structured class that provides a targeted group of youth ages 16-21 with daily high school equivalency instruction, intensive mentoring, individualized services plans, civic engagement opportunities and enrichment programming.

- YEP Works – providing young people ages 16-24 with critical hard and soft skills through YEP’s Work & Learn Center (W&L) that offers participants educational stipends while they receive soft skill instruction and training in customer service, bicycle repair or creative digital media. YEP’s W&L also provides young people with externships and employment placement support. YEP Works programming includes:

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – NATURE OF ACTIVITIES - continued

1. Trafigura Work & Learn Center – a youth employment program that is comprised of several “youth-run businesses” where youth ages 16-24 earn stipends and learn valuable employment readiness skills.

While YEP served fewer participants in 2020 than in prior years due to the challenges that COVID-19 presented in regards to recruitment of participants during the fourth quarter of the year, some of YEPs recent accomplishments that highlight the impact we have had on young people in the Greater New Orleans area include:

- During the 2019-2020 fiscal year, overall, 91% of YEP participants were satisfied with YEP programs, 98% said YEP gave them a better sense of community, and 94% said YEP helped them have hope for a positive future.
- YEP’s 2020 Summer Camp served 62 youth. 100% of parents surveyed said YEP responded to the needs of their child(ren).
- During the 2019-2020 fiscal year, YEP served 126 young people through our Afterschool Program. 94% of the participants indicated that they were satisfied with the program.
- Camp Mariposa conducted six camping weekends and served 47 young people during the 2019-2020 fiscal year. 100% of youth reported abstaining from alcohol and drugs.
- During fiscal year 2019-2020, 72 students successfully completed YEP’s Work and Learn Center programming. Of those, 50 (or 69%) moved into workforce development opportunities.
- 22 adult education students earned their HiSET (formerly the GED) through YEP Educates in the 2019-2020 fiscal year.
- YEP’s Postsecondary Transition Coordinator helped 53 YEP participants enroll into postsecondary education in the 2019-2020 fiscal year (including 2 and 4-year colleges and universities and technical and vocational training programs).
- In the 2019-2020 fiscal year, YEP’s Drumline and Dance Team performed in a Mardi Gras parade, as well as other public performances. 105 youth participated in YEP’s arts and music curriculum, of which YEP’s Drumline and Dance Team are cornerstones.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Basis of presentation – The financial statements of YEP have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require YEP to report information regarding its financial position and activities according to the following net asset classifications:

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 organization. These net assets may be used at the discretion of YEPs management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of YEP or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash, cash equivalents and restricted cash - For purposes of the statement of cash flows, YEP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and highly liquid financial instruments restricted for certain projects or other long-term purposes are excluded from this definition. As of June 30, 2020, cash and cash equivalents included \$135,643 of restricted cash designated by the Board as emergency cash reserves to pay operational costs.

Promises to give – YEP records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Promises to give are written off when deemed uncollectible. At June 30, 2020, management has deemed that no allowance for uncollectible amounts is necessary.

Reimbursement receivable – Amounts expected to be collected within one year derived from cost-reimbursable federal and state contracts, and grants. Receivables are written off when deemed uncollectible. At June 30, 2020, management has deemed that no allowance for uncollectible amounts is necessary.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Prepaid expenses – Payments to vendors for services that will benefit future periods are recorded as prepaid assets in the statement of financial position.

Property, furniture and equipment - All expenditures for leasehold improvements and equipment are capitalized. Depreciation on property and improvements is provided by using the straight-line method over the estimated life of 39 years. Depreciation on furniture and equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

Investments – YEP reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the Statement of Financial Position at fair value (see NOTE 3) with any realized or unrealized gains or losses reported in the Statement of Activities.

Inventory – YEP Bike Works maintains an inventory of bicycles and bicycle parts for use in the training of participants in the repair and refurbishing of bicycles. YEP states inventory at the lower of LIFO cost or net realizable value. The inventory as of June 30, 2020 was \$53,340.

Deferred revenue, revenue and revenue recognition – YEP recognizes program service revenue through their work and learn programs at the point of sale.

A portion of the YEP's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the YEP has incurred expenditures in compliance with specific contract or grant provisions.

YEP recognizes grant revenue and contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is 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.

Consequently, at June 30, 2020, contributions received approximating \$270,000, have not been recognized as revenue in the accompanying statement of activities because the condition(s) on which they depend has not yet been met. These contributions have been recorded on the statement of financial position as deferred revenue until such conditions are met.

In – kind support - YEP occupies classroom space in the New Orleans Adult Learning Center in New Orleans, Louisiana for YEP Educates classes throughout the fiscal year. No rent is paid by YEP. No amounts have been recognized in the accompanying statement of activities because no criteria for recognition of such in-kind support has been satisfied under FASB ASC 958. The in-kind support of the New Orleans Adult Learning Center includes the use of the facility and all costs and expenses associated with the use of the facility by YEP for any and all classes scheduled by it. The amount of the support is not readily determinable on an annual basis.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

YEP also occupies classroom space in the Arthur Monday Multi-Purpose Center in New Orleans, Louisiana for YEP Educates classes throughout the fiscal year. No rent is paid by YEP. No amounts have been recognized in the accompanying statement of activities because no criteria for recognition of such in-kind support has been satisfied under FASB ASC 958.

The in-kind support provided by the Arthur Monday Multi-Purpose Center includes the use of the facility and all costs and expenses associated with the use of the facility by YEP for any and all classes scheduled by it. The amount of the support is not readily determinable on an annual basis.

Functional expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Income taxes - YEP is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

YEP recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of June 30, 2020, YEP did not have any uncertain tax positions. Tax years ended June 30, 2019 and later remain subject to examination by taxing authorities.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement – YEP has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. This was applied retrospectively. See NOTE 19 for prior-period adjustment.

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update No. 2014-09. Revenue from Contracts with Customers (Topic 606), or ASU 606. ASU 606 provides guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. The original effective date of the guidance would have required YEP to adopt at July 1, 2018; however, the FASB approved a deferral of the effective date allowing the organization to defer implementation to the year beginning July 1, 2020. YEP is in the process of evaluating the overall impact this guidance will have on the financial statements beginning July 1, 2020.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – FAIR VALUE OF INVESTMENTS

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs. At June 30, 2020, all investments were considered level 1 investments.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

YEP’S investments consists of the following at June 30, 2020:

	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Mutual Funds, consisting of 71% equities and 29% fixed income	<u>\$46,055</u>	<u>\$49,801</u>	<u>\$3,746</u>
	<u>\$46,055</u>	<u>\$49,801</u>	<u>\$3,746</u>

NOTE 4 – PROMISES TO GIVE, NET

Unconditional promises to give are estimated to be collected as follows at June 30, 2020:

Within one year	\$610,760
In one to five years	<u>200,000</u>
	810,760
Less discount to net present value at rate of 3.5%	<u>(13,298)</u>
Total	<u>\$797,462</u>

At June 30, 2020, six donors accounted for 79 percent of total promises to give.

NOTE 5 – REIMBURSEMENTS RECEIVABLE

YEP has incurred reimbursable expenses related to providing services to court-involved, at-risk, and out of school youths at June 30, 2020.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – REIMBURSEMENTS RECEIVABLE - continued

A receivable has been recorded on these cases as follows:

Einstein Charter School	\$ 4,250
Criminal District Court	22,083
LCTCS – Federal	10,414
LCTCS – State	13,801
McMain High School	1,250
NORD	3,795
Office of Juvenile Justice	48,915
Orleans Parish Juvenile Court	1,474
ReNEW Accelerated High School	4,250
SNAP ET	<u>76,971</u>
Total	<u>\$187,203</u>

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

YEP regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. YEP has various sources of liquidity at its disposal, including cash and cash equivalents, investment and line of credit in the amount of \$400,000.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, YEP considers all expenditures related to its ongoing activities of programs, administration and fundraising as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenses over the next 12 months, YEP operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of YEP’s cash and shows positive cash generated by operations for fiscal year 2020.

As of June 30, 2020, the following tables show the total financial assets held by YEP and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,030,829
Cash and cash equivalents restricted	135,643
Investments	49,801
Unconditional promises to give, net	797,462
Reimbursements receivable	187,203
Less amounts not available to be used within one year	
Unconditional promises, net	<u>(186,702)</u>
Total financial assets at year-end	<u>\$ 2,014,236</u>

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - continued

Cash and cash equivalents reserved are a reservation of funds dedicated to maintaining the financial stability of YEP. Therefore, they are included in the liquidity and availability calculation.

NOTE 7 – PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30, 2020.

Buildings	\$ 1,057,195
Land	114,305
Improvements	257,250
Furniture, Equipment and Software	195,366
Less: accumulated depreciation	<u>(340,532)</u>
Net book value	<u>\$ 1,283,584</u>

Depreciation expense for the year ended June 30, 2020 was \$46,265.

NOTE 8 – OPERATING LEASE

YEP's right-of-use asset and lease liability relates to operating lease agreements for a satellite office in Hahnville, Louisiana and an office for Thrift Works in New Orleans, Louisiana. The leases are non-cancelable and have remaining lease terms of 1 year to 5 years. The leases are recorded on the balance sheet at the present value of minimum lease payments not yet paid. The discount rate used to calculate the lease liability balance was the 5-year treasury rate of 1.5%. Supplemental information related to the leases for the year ended June 30, 2020 are as follows:

Weighted average remaining lease term:	5 years
Weighted average discount rate:	1.5%

The maturities of the lease liabilities are as follows:

2020-2021	\$ 37,571
2021-2022	28,121
2022-2023	28,545
2023-2024	<u>26,546</u>
	<u>\$120,783</u>

NOTE 9 – LEASE COMMITMENTS

Additional details regarding the operating leases discussed in NOTE 8 above are as follows: YEP leased a satellite office for employee access in Hahnville, Louisiana under a cancelable agreement during the year ended June 30, 2020. The lease expires December 31, 2021. Future minimum lease payments at June 30, 2020 are \$9,936.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 – LEASE COMMITMENTS - continued

YEP leased space for Thrift Works in New Orleans, Louisiana under a cancelable agreement during the year ended June 30, 2020. The lease expires May 31, 2024. Future minimum lease payments at June 30, 2020 are \$114,132.

Rent expense incurred under the leases was \$41,090 for the year ended June 30, 2020.

NOTE 10 – LINE OF CREDIT

YEP has a \$400,000 revolving line of credit with a bank, secured by 1529 Oretha Castle Haley Blvd., New Orleans. Borrowings under the line bear interest at Wall Street Journal Prime plus 1.5%. Accrued interest and principal are due at October 12, 2020. YEP had a balance of \$0 at June 30, 2020.

NOTE 11 – MORTGAGE PAYABLE

YEP is the maker of a mortgage note payable in the original amount of \$600,000 at 4.49% per annum interest fixed for seven years with a twenty-year amortization. The mortgage is to be paid in equal monthly installments of \$3,814, which includes principal and interest. The note is secured by a first mortgage on the land and building located at 1600 - 1604 Oretha Castle Haley Blvd. As of June 30, 2020, the principal balance of the note is \$308,763 of which \$308,763 is due within the next twelve months. As of June 30, 2020, the note is in current condition.

Maturities of the mortgage payable for each of the next five years are as follows:

6/30/21	<u>\$308,763</u>
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NOTE 12 – SBA CARES LOAN

On April 12, 2020, YEP (the “Borrower”) was granted an unsecured loan (the “Loan”) from Iberia Bank in the aggregate amount of \$560,447, pursuant to the Paycheck Protection Program under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 12, 2020 issued by the Borrower, matures on April 1, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 12, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. In order to be eligible for forgiveness, funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payment, rent, utilities and interest on other debt obligations incurred before February 15, 2020. YEP intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Due to the uncertain nature of the forgiveness and/or repayment obligations, the entire loan balance has been classified as long-term.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted by donors for specific purposes or designated for subsequent periods. At June 30, 2020, net assets with donor restrictions are comprised of cash and receivables from the following sources:

Trafigura Foundation	\$ 57,025
United Way	24,346
WK Kellogg Foundation	<u>33,333</u>
TOTAL	<u>\$114,704</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Andrus Family Foundation	\$ 75,000
Aspin	34,000
Baptist Community Ministries	262,500
Cowen Institute	11,000
Dollar General	10,000
Elma Music Foundation	150,000
Methodist Health System Foundation	90,000
NORDC	15,180
The Sunshine Lady Foundation	99,429
United Way	49,030
Valero	10,000
WK Kellogg Foundation	<u>241,667</u>
Total net assets released – 2019–2020	<u>\$1,047,806</u>

NOTE 14 – EMPLOYEE PENSION PLAN

YEP adopted a 403b plan that is available to all eligible employees. YEP has elected to match contributions of up to 50% of 5% of employee’s elective deferral for 2019 – 2020 compensation for each participating employee. YEP’s obligation for contributions to the plan as of June 30, 2020 was \$31,827 which consisted entirely of the YEP’s employer matching contribution.

NOTE 15 – DONATED SERVICES

The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, several volunteers have donated significant amounts of their time in the YEP program service area.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 – CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

YEP maintains its cash equivalents in financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2020 YEP had cash balances in excess of FDIC insured limits. The cash balances, at times, may exceed federally insured limits. YEP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

YEP receives grants, contributions and contracts for services from federal and state agencies, the public and foundations, which comprises the majority of its revenue.

During the year ended June 30, 2020, the President of the United States declared a national emergency due to the COVID-19 pandemic. The spread of COVID-19 has caused significant volatility in the U.S. and international financial markets. There is uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its future impact on the U.S. economy. The impact to YEP has not been significant, but the future impact is unknown. The extent to which the COVID-19 pandemic and global efforts to contain its spread will impact the financial markets/grant funding/contributions depends on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic.

NOTE 17 – LITIGATION AND CLAIMS

There is no pending litigation against YEP at June 30, 2020. Furthermore, the management of YEP believes that any potential lawsuits would be adequately covered by insurance.

NOTE 18 – BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

YEP has restated prior year net assets to reflect the implementation of ASU No. 2018-08. This resulted in a reclassification of \$369,240 of revenues from the prior year to the current year, with a corresponding decrease in beginning net assets. This adjustment had no effect on ending net assets at June 30, 2020.

NOTE 20 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 8, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

YOUTH EMPOWERMENT PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2020

Agency Head Name: Melissa Sawyer, Executive Director

Purpose	Amount
Salary*	\$24,917
Benefits – health, dental and disability*	\$3,183
Benefits – retirement*	\$625

*Calculation is based on the amount reimbursed through restricted grant funding.

**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**

The Board of Directors of
Youth Empowerment Project
New Orleans, Louisiana

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 Youth Empowerment Project (YEP), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered YEP'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 YEP's internal control. Accordingly, we do not express an opinion on the effectiveness of YEP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether YEP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the YEP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 8, 2020

YOUTH EMPOWERMENT PROJECT

SCHEDULE OF FINDINGS

For The Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

1. The type of report issued on the basic financial statements: unmodified opinion
2. Significant deficiencies in internal control were disclosed by the audit of the financial statements: none reported, Material weaknesses: no
3. Noncompliance which is material to the financial statements: no

YOUTH EMPOWERMENT PROJECT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For The Year Ended June 30, 2020

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

SECTION II – MANAGEMENT LETTER

None