

**YOUTH EMPOWERMENT
PROJECT**

FINANCIAL REPORT

JUNE 30, 2021

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, 2021, and the related statement 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 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, 2021, 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 Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Schedule of Compensation, Benefits, and Payments to the Executive Director are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 15, 2021, 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
November 15, 2021

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash and cash equivalents (Note 2)	\$ 4,783,067
Cash and cash equivalents restricted (Note 2)	196,488
Investments (Note 3)	62,413
Promises to give, net (Note 4)	512,305
Reimbursements receivable (Note 5)	288,216
Inventory (Note 2)	42,957
Prepaid expenses and other assets (Note 2)	<u>43,695</u>
Total current assets	5,929,141

Assets restricted to investment in property,	
Property, furniture, and equipment at	
cost less accumulated depreciation (Note 7)	1,270,860
Promises to give, net (Note 4)	296,618
Operating lease right-of-use asset	<u>93,080</u>
Total assets	<u><u>\$ 7,589,699</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 80,497
Deferred revenue (Note 2)	615,000
Operating lease liability (Note 8)	36,414
Mortgage payable (Note 11)	<u>175,799</u>
Total current liabilities	907,710

Operating lease liability, net of current maturities (Note 9)	56,666
SBA CARES Loan (Note 12)	<u>560,447</u>
Total long-term liabilities	<u>617,113</u>

Total liabilities 1,524,823

Net Assets

Without donor restrictions	6,020,071
With donor restrictions (Note 13)	<u>44,805</u>

Total net assets 6,064,876

Total liabilities and net assets \$ 7,589,699

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

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues and reclassifications			
Public support:			
Grants - United Way	\$ -	\$ 60,000	\$ 60,000
Grants - Federal Government	817,595	-	817,595
Grants - Other	373,249	750,513	1,123,762
Contributions	3,911,574	175,250	4,086,824
Total public support	5,102,418	985,763	6,088,181
Revenues			
Contract revenue	1,110,016	-	1,110,016
Program service revenue	173,324	-	173,324
Other income	14,157	-	14,157
Total revenues	1,297,497	-	1,297,497
Reclassifications:			
Net assets released from restrictions	1,055,662	(1,055,662)	
Total reclassifications	1,055,662	(1,055,662)	
Total support, revenues and reclassifications	7,455,577	(69,899)	7,385,678
Expenses			
Program services	3,022,599	-	3,022,599
Supporting services:			
Management and general	476,979	-	476,979
Fundraising	273,080	-	273,080
Total supporting services	750,059	-	750,059
Total expenses	3,772,658	-	3,772,658
Changes in net assets	3,682,919	(69,899)	3,613,020
Net assets, beginning of the year	2,337,152	114,704	2,451,856
Net assets, end of the year	<u>\$ 6,020,071</u>	<u>\$ 44,805</u>	<u>\$ 6,064,876</u>

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from federal government	\$ 704,683
Cash received from state contracts, local and private support	6,863,041
Cash received from program services	173,324
Cash received from other income	14,157
Cash payments for operating expenses	(928,246)
Cash payments for employee salaries and benefits	<u>(2,844,412)</u>
Net cash provided by operating activities	3,982,547

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of van	<u>(36,500)</u>
Net cash used in investing activities	(36,500)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on mortgage payable	<u>(132,964)</u>
Net cash used in financing activities	<u>(132,964)</u>
Net increase in cash, cash equivalents and restricted cash	3,813,083
Cash, cash equivalents and restricted cash at beginning of year	<u>1,166,472</u>
Cash, cash equivalents and restricted cash at end of year	<u><u>\$ 4,979,555</u></u>

Supplemental Information

Interest expense	<u>\$ 8,990</u>
Operating lease right-of-use asset, net change	<u>\$ 27,703</u>
Operating lease liability, net change	<u><u>\$ 27,703</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, 2021**

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSES
		MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	
Salaries	\$ 1,889,424	\$ 292,606	\$ 214,867	\$ 507,473	\$ 2,396,897
Payroll Taxes	138,618	22,246	16,964	39,210	177,828
Benefits (Note 14)	248,960	21,799	36,631	58,430	307,390
Computer Network and Software Expenses	68,401	23,158	-	23,158	91,559
Consultants and Professional Services	61,995	4,809	-	4,809	66,804
Depreciation	2,959	46,265	-	46,265	49,224
General Insurance	97,828	10,870	-	10,870	108,698
Interest Expense	-	8,990	-	8,990	8,990
Miscellaneous	38,812	4,326	120	4,446	43,258
Office Expense	43,280	5,072	2,365	7,437	50,717
Rent (Note 9)	41,504	-	-	-	41,504
Repairs and Maintenance	-	26,659	-	26,659	26,659
Training	17,000	542	650	1,192	18,192
Travel and Meetings	-	1,601	225	1,826	1,826
Utilities and Telephone	81,223	8,036	1,258	9,294	90,517
Youth Related Expenses	292,595	-	-	-	292,595
Total	<u>\$ 3,022,599</u>	<u>\$ 476,979</u>	<u>\$ 273,080</u>	<u>\$ 750,059</u>	<u>\$ 3,772,658</u>

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

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – NATURE OF ACTIVITIES

Organizational History

Youth Empowerment Project (YEP) is a 501(c)(3) non-profit organization that is based in New Orleans, Louisiana. YEP was founded in 2004 by three juvenile justice advocates to support formerly incarcerated young people as they transitioned back into their communities. It was the first program of its kind in the state of Louisiana. Since then, YEP has expanded to engage young people who live in poverty, are out of school or work, or have experienced trauma.

Today, YEP's mission is to engage young people through community-based education, mentoring, employment readiness, and enrichment programs to help them develop skills and strengthen ties to family and community. As a community-based nonprofit, these programs have been developed in response to unmet community needs and are aligned with YEP's core purpose, which is to empower young people to improve their lives and the lives of others.

Who We Serve

YEP's four service areas work collectively to support young people and adults ages 7 and up as they pursue individualized goals and achieve positive life outcomes. Ninety-three percent of participants identify as African American or Black, nearly 80 percent report an annual household income of less than \$20,000, and 74 percent reside in a single female headed household.

Many young people and families in the Greater New Orleans area struggle to overcome the historical underinvestment in public education, limited access to living wage jobs, and an epidemic of mass incarceration. These systemic practices perpetuate inequities and limit the opportunities that certain individuals and families have for escaping poverty and the negative outcomes that result.

What We Do

YEP is committed to addressing these persistent social issues through direct service and education. Our goal is to connect young people to the opportunities, relationships, and resources they need to achieve their potential. Our four service areas include:

YEP Mentors is a community-based mentoring program for system-involved young people, ages 8 to 21, who are referred to YEP by the Louisiana Office of Juvenile Justice, the Orleans Parish Juvenile Court, the Orleans Parish District Attorney's Office, or the St. Charles Parish Court. YEP youth advocates provide participants with supportive services, individualized goal setting, and case management.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – NATURE OF ACTIVITIES - continued

YEP Enriches is an out-of-school time enrichment program for young people, ages 7 to 18, located in the Central City neighborhood of New Orleans. YEP's Afterschool Program and Summer Camp offer a range of structured activities, including a basketball team, drumline and dance team, as well as cooking classes, arts and music instruction, tutoring, and homework help. YEP also runs Louisiana's only Camp Mariposa, a national addiction prevention and mentoring program for youth who have been impacted by substance abuse in their families.

YEP Educates is an adult education program that provides high school equivalency test preparation and basic instruction to out-of-school youth and adults ages 16 and up. Our postsecondary transition team helps students enroll in postsecondary education and training programs while securing financial aid to support their education.

YEP Works is a work-based learning program that engages young people between the ages of 16 and 24 who are enrolled in YEP Educates or another alternative education program, or who are disconnected from school entirely. Participants earn hourly stipends while developing social emotional competencies and gaining transferable work-based skills in customer service. Our employment transition team helps graduates progress into employment, internships, postsecondary education, and advanced training programs.

YEP's community impact for the 2020-2021 fiscal year includes the following outcomes:

- YEP engaged a total of 698 individuals in programming and services. Ninety-seven percent of participants expressed satisfaction with their experience at YEP.
- Seventy-four percent of participants demonstrated an improvement in their emotional wellbeing as a result of participating in a YEP program.
- At YEP Educates, 32 students earned their high school equivalency diploma and 27 students enrolled in two or four year postsecondary institutions or vocational programs.
- At YEP Enriches, 176 young people participated in afterschool enrichment, summer camp, or Camp Mariposa programming. Of the young people who participated in Camp Mariposa, 92% reduced or abstained from substance use.
- In YEP Mentors, 187 young people participated in one-on-one mentoring and case management. Of those participants, 96% had no further involvement with the juvenile justice system at the time of program completion.
- In YEP Works, 50 young people participated in employment readiness training and 41 individuals secured employment.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 requires 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, 2021, cash and cash equivalents included \$196,488 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, 2021, 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, 2021, management has deemed that no allowance for uncollectible amounts is necessary.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 and Changes in Net Assets.

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, 2021 was \$42,957.

New Accounting Pronouncement – YEP has adopted Accounting Standards Update (ASU) 2014-09. *Revenue from Contracts with Customers* (Topic 606). YEP has undertaken a comprehensive analysis of the impact of the new standard based on a review of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under ASU 2014-09. This standard does not impact YEP’s recognition of revenue from contracts, federal, state, and other grants, which are cost reimbursable 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 Organizations have incurred expenditures in compliance with specific contract provisions. The adoption of ASU 2014-09 had no material impact on YEP’s financial statements as a whole.

Revenue from Contracts with Customers – YEP earns revenue from contracts with the Office of Juvenile Justice, Orleans Parish Juvenile Court and NOLA Business Alliance services for youths in the Orleans and the River Parishes. Office of Juvenile Justice Family Support/Youth Transition (FSYT) program, Orleans Parish Juvenile Court and NOLA Business Alliance pays YEP a fixed daily rate per participant based on the number of days services are provided. The performance obligations are met when transitional, instructional and coaching services are provided based on the contract. These performance obligations are measured through monthly reporting. Invoices are submitted monthly for services rendered and earned in the prior month.

YEP also earns revenue from contracts with Office of Juvenile Justice Diversion Programs that is based on a fixed monthly amount. The performance obligation is to provide diversion services in Orleans and the River Parishes which are measured through monthly service reports. Invoices are submitted monthly for services rendered and earned in the prior month.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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 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, 2021, contributions received approximating \$615,000, have not been recognized as revenue in the accompanying Statement of Activities and Changes in Net Assets 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 and Changes in Net Assets 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.

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 and Changes in Net Assets 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).

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, 2021, YEP did not have any uncertain tax positions. Tax years ended June 30, 2020, 2019, and 2018 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 Not Yet Effective - The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2020-07, "Not-for-Profit Entities (Topic 958)." This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. This Update will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. YEP plans to adopt this Update as applicable by the effective date.

NOTE 3 – FAIR VALUE OF INVESTMENTS

Yep reports investments 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, 2021, all investments were considered level 1 investments.

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

YEP'S investments consist of the following at June 30, 2021:

	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Mutual Funds, consisting of 71% equities and 29% fixed income	<u>\$46,055</u>	<u>\$62,413</u>	<u>\$16,358</u>
	<u>\$46,055</u>	<u>\$62,413</u>	<u>\$16,358</u>

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – PROMISES TO GIVE, NET

Unconditional promises to give are estimated to be collected as follows at June 30, 2021:

Within one year	\$512,305
In one to five years	<u>300,000</u>
	812,305
Less discount to net present value at rate of 3.5%	<u>(3,382)</u>
Total	<u>\$808,923</u>

At June 30, 2021, five donors accounted for 90 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, 2021.

A receivable has been recorded on these cases as follows:

Einstein Charter School	\$ 4,500
Criminal District Court	19,583
LCTCS – Federal	11,383
LCTCS – State	4,194
McMain High School	2,000
Office of Juvenile Justice	48,510
Orleans Parish Juvenile Court	9,132
SNAP ET	<u>188,914</u>
Total	<u>\$288,216</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, investments and a line of credit in the amount of \$400,000 (see Note 10).

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 June 30, 2020.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – continued

As of June 30, 2021, the following table 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 Statement of Financial Position date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 4,783,067
Cash and cash equivalents restricted	196,488
Investments	62,413
Unconditional promises to give, net	808,923
Reimbursements receivable	288,216
Less amounts not available to be used within one year	
Unconditional promises, net	<u>(296,618)</u>
Total financial assets at year-end	<u>\$ 5,842,489</u>

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, 2021.

Buildings	\$ 1,057,195
Land	114,305
Improvements	257,250
Furniture, Equipment and Software	231,866
Less: accumulated depreciation	<u>(389,756)</u>
Net book value	<u>\$ 1,270,860</u>

Depreciation expense for the year ended June 30, 2021 was \$49,224.

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 in the Statement of Financial Position 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, 2021 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:

2021-2022	\$ 36,414
2022-2023	28,545
2023-2024	<u>28,121</u>
	<u>\$93,080</u>

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – LEASE COMMITMENTS

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

YEP leased space for Thrift Works in New Orleans, Louisiana under a non-cancelable agreement during the year ended June 30, 2021. The lease expires May 31, 2024. Future minimum lease payments at June 30, 2021 are \$114,132.

Rent expense incurred under the leases was \$41,504 for the year ended June 30, 2021.

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 the Wall Street Journal Prime plus 1.5%. Accrued interest and principal was due at October 12, 2021. YEP had a balance of \$0 at June 30, 2021.

The line of credit has been extended until October 23, 2023 under the same terms.

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, 2021, the principal balance of the note was \$175,799. The note was subsequently paid off in August 2021.

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 (PPP) under Division A, Title 1 of the CARES Act, which was enacted March 27, 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 debt obligations incurred before February 15, 2020. YEP utilized all of the PPP funds for qualifying expenses and submitted its application for forgiveness.

On August 9, 2021, YEP received notification the PPP loan had been forgiven in full.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, net assets with donor restrictions are comprised of cash and receivables from the following sources:

United Way	<u>\$44,805</u>
TOTAL	<u>\$44,805</u>

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

Aspin	\$ 15,000
Baptist Community Ministries	13,000
Capital One	30,000
Conrad Hilton Foundation	100,000
Dollar General	8,000
Dreambuilders	5,000
Emeril Lagasse Foundation	10,000
Friends of Kang Yun	35,000
George Wilson	100,000
Institute of Mental Hygene	25,000
NBA Foundation	200,000
NOLA Business Alliance	101,273
Oscar Tolmas Foundation	40,000
The Sunshine Lady Foundation	152,240
TJX Foundation	1,000
Trafigura Foundation	57,025
Tristin Wilson	25,250
United Way	39,541
Valero Energy Foundation	10,000
WK Kellogg Foundation	33,333
Zemurray Foundation	<u>5,000</u>
Total net assets released – 2020–2021	<u>\$1,055,662</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 2020–2021 compensation for each participating employee. YEP’s obligation for contributions to the plan as of June 30, 2021 was \$32,542 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, 2021**

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, 2021 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 continued 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 any future impact is unknown. The extent to which the COVID-19 pandemic and global efforts to contain its spread and its impact on 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, 2021. 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 – 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 November 15, 2021, which is the date the financial statements were available to be issued and determined that the following event occurred that require disclosure:

On August 9, 2021 YEP received forgiveness for the total amount of the PPP loan that was obtained on April 12, 2020 (see Note 12).

On August 29, 2021 Hurricane Ida made landfall on the Louisiana coast near New Orleans. YEP sustained minimal damage from the effects of the hurricane.

SUPPLEMENTAL INFORMATION

**YOUTH EMPOWERMENT PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2021**

Agency Head Name: Melissa Sawyer, Executive Director

Purpose	Amount
Salary*	\$30,000
Benefits – health, dental and disability*	\$3,701
Benefits – retirement*	\$780

*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

To 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) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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, and have issued our report thereon dated November 15, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 YEP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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
November 15, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Youth Empowerment Project's (YEP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of YEP's major federal programs for the year ended June 30, 2021. YEP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of YEP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about YEP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of YEP's compliance.

Opinion on Each Major Federal Program

In our opinion, YEP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of YEP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered YEP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of YEP's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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
November 15, 2021

YOUTH EMPOWERMENT PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE

For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Award Number	Federal Assistance Listing Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through the Louisiana Department of Children and Family Services:				
SNAP Cluster				
Food Stamp Program Employment and Training	LA-420142 FFY 2019	10.561	\$ -	\$ 514,143
Food Stamp Program Employment and Training	LA-420142 FFY 2018	10.561	-	184,995
Total SNAP Cluster			-	699,138
Total Department of Agriculture			-	699,138
U.S. Department of Education				
Passed through Louisiana's Community & Technical Colleges:				
FY 20-21 Federal Adult Education & Literacy Grant	FY-20-21-000014	84.002	-	113,078
FY 19-20 Federal Leadership Grant	FY-19-20-000014	84.002	-	3,454
FY 20-21 Federal Leadership Grant	FY-20-21-000007	84.002	-	1,925
Total Department of Education			-	118,457
Total Expenditures of Federal Awards			\$ -	\$ 817,595

NOTES TO THE SCHEDULE

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of Youth Empowerment Project and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of YEP, it is not intended to and does not present the financial position and changes in the net assets of YEP. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DE MINIMIS COST RATE

During the year ended June 30, 2021, YEP did not elect to use the 10% de minimis cost rate as covered in Section 200.414 of the Uniform Guidance.

YOUTH EMPOWERMENT PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

<u>Assistance listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

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

Auditee Qualified as Low-Risk Auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

YOUTH EMPOWERMENT PROJECT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS

For The Year Ended June 30, 2021

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

SECTION II – MANAGEMENT LETTER

None.