

**YOUTH EMPOWERMENT
PROJECT**

**FINANCIAL REPORT
JUNE 30, 2022**

**YOUTH EMPOWERMENT PROJECT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Youth Empowerment Project (YEP), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of YEP as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of YEP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about YEP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 YEP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about YEP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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 Other 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 October 31, 2022, on our consideration of YEP'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 solely 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 YEP's internal control over financial reporting and compliance.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 31, 2022

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current Assets

Cash and cash equivalents (Note 2)	\$ 1,126,538
Investments (Note 3)	3,058,048
Promises to give, net (Note 4)	721,779
Reimbursements receivable (Note 5)	611,842
Inventory (Note 2)	41,168
Prepaid expenses and other assets (Note 2)	<u>78,843</u>
Total current assets	5,638,218

Assets restricted to investment in property, Property, furniture, and equipment at cost less accumulated depreciation (Note 7)	1,214,400
Operating lease right-of-use asset	<u>64,959</u>
Total assets	<u><u>\$ 6,917,577</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 56,155
Deferred revenue (Note 2)	343,333
Operating lease liability (Note 8)	<u>28,545</u>
Total current liabilities	428,033

Operating lease liability, net of current maturities (Note 8)	<u>36,414</u>
Total long-term liabilities	<u>36,414</u>
Total liabilities	464,447

Net Assets

Without donor restrictions	6,453,130
With donor restrictions (Note 15)	<u>-</u>
Total net assets	<u>6,453,130</u>
Total liabilities and net assets	<u><u>\$ 6,917,577</u></u>

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenues and reclassifications			
Public support:			
Grants - United Way	\$ -	\$ 4,300	\$ 4,300
Grants - Federal Government	781,097	-	781,097
Grants - Other	-	749,333	749,333
Contributions	1,135,868	156,533	1,292,401
Extinguishment of debt	560,447	-	560,447
Contributed non-financial assets	47,950	-	47,950
Total public support	2,525,362	910,166	3,435,528
Revenues			
Contract revenue	1,214,928	-	1,214,928
Program service revenue	189,820	-	189,820
Other income	4,332	-	4,332
Net investment return (loss)	(239,066)	-	(239,066)
Total revenues	1,170,014	-	1,170,014
Reclassifications:			
Net assets released from restrictions	954,971	(954,971)	-
Total reclassifications	954,971	(954,971)	-
Total support, revenues and reclassifications	4,650,347	(44,805)	4,605,542
Expenses			
Program services	3,368,263	-	3,368,263
Supporting services:			
Management and general	597,236	-	597,236
Fundraising	251,789	-	251,789
Total supporting services	849,025	-	849,025
Total expenses	4,217,288	-	4,217,288
Changes in net assets	433,059	(44,805)	388,254
Net assets, beginning of the year	6,020,071	44,805	6,064,876
Net assets, end of the year	\$ 6,453,130	\$ -	\$ 6,453,130

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from federal government	\$ 638,649
Cash received from state contracts, local and private support	3,166,928
Cash received from program services	189,820
Cash received from other income	4,332
Cash payments for operating expenses	(1,413,536)
Cash payments for employee salaries and benefits	<u>(3,028,710)</u>
Net cash provided by operating activities	(442,517)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	<u>(3,234,701)</u>
Net cash used in investing activities	(3,234,701)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on mortgage payable	<u>(175,799)</u>
Net cash used in financing activities	<u>(175,799)</u>
Net decrease in cash and cash equivalents	(3,853,017)
Cash and cash equivalents at beginning of year	<u>4,979,555</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,126,538</u></u>

Supplemental Information

Interest expense	\$ 1,688
Operating lease right-of-use asset, net change	<u>\$ (28,121)</u>
Operating lease liability, net change	<u><u>\$ 28,121</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, 2022

	SUPPORTING SERVICES			TOTAL	TOTAL
	PROGRAM	MANAGEMENT	FUNDRAISING		
	SERVICES	& GENERAL			
Salaries	\$ 1,994,699	\$ 315,022	\$ 212,009	\$ 527,031	\$ 2,521,730
Payroll Taxes	148,065	26,718	15,783	42,501	190,566
Benefits (Note 13)	212,553	81,081	22,780	103,861	316,414
Computer Network and Software Expenses	98,416	11,380	-	11,380	109,796
Consultants and Professional Services	4,933	65,534	-	65,534	70,467
Depreciation	-	56,520	-	56,520	56,520
General Insurance	80,228	14,158	-	14,158	94,386
Interest Expense	-	1,688	-	1,688	1,688
Miscellaneous	76,472	6,302	-	6,302	82,774
Office Expense	75,209	8,530	146	8,676	83,885
Rent (Note 9)	82,114	-	-	-	82,114
Repairs and Maintenance	52,879	4,549	-	4,549	57,428
Training	13,501	963	-	963	14,464
Travel and Meetings	23,725	391	-	391	24,116
Utilities and Telephone	85,839	4,400	1,071	5,471	91,310
Youth Related Expenses	419,630	-	-	-	419,630
Total	\$ 3,368,263	\$ 597,236	\$ 251,789	\$ 849,025	\$ 4,217,288

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

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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 - CONTINUED
JUNE 30, 2022

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 2021-2022 fiscal year includes the following outcomes:

- YEP engaged a total of 757 individuals in programming and services. Ninety-seven percent of participants expressed satisfaction with their experience at YEP.
- Eighty-one percent of participants demonstrated an improvement in their emotional wellbeing as a result of participating in a YEP program.
- At YEP Educates, 53 students earned their high school equivalency diploma and 13 students enrolled in two or four year postsecondary institutions or vocational programs.
- At YEP Enriches, 207 young people participated in afterschool enrichment, summer camp, or Camp Mariposa programming. Of the young people who participated in Camp Mariposa, 100% reduced or abstained from substance use.
- In YEP Mentors, 191 young people participated in one-on-one mentoring and case management. Of those participants, 97% 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 29 individuals secured employment.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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 and cash equivalents - 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.

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, 2022, 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, 2022, management has deemed that no allowance for uncollectible amounts is necessary.

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.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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). Net investment return/(loss) consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses and is 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, 2022 was \$41,168.

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.

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, 2022, contributions received approximating \$343,333, 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.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. The amount of \$12,960 has been recognized in the accompanying Statement of Activities and Changes in Net Assets as contributed non-financial assets and a program expense 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 estimated by using the fair value per square foot of recent property lease agreements in the same area.

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. The amount of \$34,990 has been recognized in the accompanying Statement of Activities and Changes in Net Assets as contributed non-financial assets and a program expense 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 estimated by using the fair value per square foot of recent property lease agreements in the same area.

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, 2022, YEP did not have any uncertain tax positions. Tax years ended June 30, 2021, 2020, and 2019 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. 2020-07, "Not-for-Profit Entities (Topic 958)." This ASU seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU 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. The adoption of ASU 2020-07 had no material impact on YEP's financial statements as a whole.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2022, 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, 2022:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gains (Losses)</u>
Certificates of Deposit	\$ 750,000	\$ 751,081	\$ 1,081
Investments, consisting of 66% mutual funds and 14% exchange traded funds	<u>2,547,114</u>	<u>2,306,967</u>	<u>(240,147)</u>
	<u>\$ 3,297,114</u>	<u>\$ 3,058,048</u>	<u>\$ (239,066)</u>

NOTE 4 – PROMISES TO GIVE, NET

Unconditional promises to give are estimated to be collected as follows at June 30, 2022:

Within one year	\$621,779
In one to two years	<u>100,000</u>
Total	<u>\$721,779</u>

At June 30, 2022, four donors accounted for 90 percent of total promises to give.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022**

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, 2022.

A receivable has been recorded on these cases as follows:

Educators for Quality Alternatives	\$191,298
Einstein Charter School	4,500
Criminal District Court	19,583
LCTCS – Federal	26,262
LCTCS – State	13,158
McMain High School	2,000
Office of Juvenile Justice	38,558
SNAP ET	<u>316,483</u>
Total	<u>\$611,842</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 for fiscal year June 30, 2022.

As of June 30, 2022, the following table show the total financial assets held by YEP and the amounts of those financial assets that 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	\$ 1,126,538
Investments	3,058,048
Unconditional promises to give, net	721,779
Reimbursements receivable	611,842
Less amounts not available to be used within one year	
Unconditional promises, net	<u>(100,000)</u>
Total financial assets at year-end	<u>\$ 5,418,207</u>

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 7 – PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30, 2022.

Buildings	\$ 1,057,195
Land	114,305
Improvements	257,250
Furniture, Equipment and Software	231,926
Less: accumulated depreciation	<u>(446,276)</u>
Net book value	<u>\$ 1,214,400</u>

Depreciation expense for the year ended June 30, 2022 was \$56,520.

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, 2022 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:

2022-2023	\$28,545
2023-2024	<u>36,414</u>
	<u>\$64,959</u>

NOTE 9 – LEASE COMMITMENTS

Additional details regarding the operating leases discussed in NOTE 8 are as follows: YEP leased space for Thrift Works in New Orleans, Louisiana under a non-cancelable agreement during the year ended June 30, 2022. The lease expires May 31, 2024. Future minimum lease payments at June 30, 2022 are \$55,852.

Rent expense incurred under the leases was \$34,164 for the year ended June 30, 2022.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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 are due October 23, 2023. YEP had a balance of \$0 at June 30, 2022.

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. The note was paid off in August 2021.

NOTE 12 – SBA CARES LOAN

On April 12, 2020, YEP was granted an unsecured 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.

On August 9, 2021, the Small Business Administration approved the forgiveness of the loan in the amount of \$560,447. YEP recognized the income of the loan forgiveness as a gain on extinguishment of debt in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

NOTE 13 – 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 2021–2022 compensation for each participating employee. YEP's obligation for contributions to the plan as of June 30, 2022 was \$39,856 which consisted entirely of the YEP's employer matching contribution.

NOTE 14 – DONATED SERVICES

As of June 30, 2022, the value of donated volunteer services is not reflected in the accompanying financial statements since they are not considered significant to the financial statements as a whole.

**YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022**

NOTE 15 – 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, 2022, there were no net assets with donor restrictions.

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

Baptist Community Ministries	\$ 100,000
Bollinger	3,382
Capital One	15,000
Conrad Hilton Foundation	100,000
Dollar General	10,000
ELMA Philanthropies	75,000
ELUNA	26,500
Emeril Lagasse Foundation	20,000
First Horizon	50,000
Fore!Kids Foundation	10,000
Friends of Kang Yun Foundation	40,000
Greater New Orleans Foundation	2,500
Maison Hospitalieres	30,000
Miscellaneous Restricted Donations under \$3,000	2,650
NBA Foundation	166,667
NOLA Business Alliance	118,667
Pro Bono Publico Foundation	7,500
Rusovich Family Foundation	50,000
State of Louisiana	25,000
T Rowe Price	3,000
United Way	49,105
Zemurray Foundation	<u>50,000</u>
 Total net assets released – 2021–2022	 <u>\$ 954,971</u>

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, 2022 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.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 17 – LITIGATION AND CLAIMS

There is no pending litigation against YEP at June 30, 2022. 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 October 31, 2022, which is the date the financial statements were available to be issued and determined that the following event occurred that require disclosure.

SUPPLEMENTAL INFORMATION

**YOUTH EMPOWERMENT PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2022**

Agency Head Name: Melissa Sawyer, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary*	\$ 30,000
Benefits – health, dental and disability*	2,306
Benefits – retirement*	<u>900</u>
	<u>\$ 33,206</u>

*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, 2022, 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 October 31, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
October 31, 2022



**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

Opinion on Each Major Federal Program

We have audited Youth Empowerment Project's (YEP) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of YEP's major federal programs for the year ended June 30, 2022. YEP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of YEP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of YEP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to YEP's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on YEP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about YEP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding YEP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of YEP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of YEP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 31, 2022

**YOUTH EMPOWERMENT PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor <u>Program or Cluster Title</u>	<u>Award Number</u>	Federal Assistance Listing <u>Number</u>	Passed through to <u>Subrecipients</u>	<u>Federal Expenditures</u>
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 2021	10.561	\$ -	\$ 167,955
Food Stamp Program Employment and Training	LA-420142 FFY 2022	10.561	<u>-</u>	<u>466,864</u>
Total SNAP Cluster			<u>-</u>	<u>634,819</u>
Total Department of Agriculture			-	634,819
U.S. Department of Education				
Passed through Louisiana's Community & Technical Colleges:				
FY 21-22 Federal Adult Education & Literacy Grant	FY-21-22-000016	84.002	-	129,614
FY 20-21 Federal Adult Education & Literacy Grant	FY-20-21-000014	84.002	-	12,979
FY 20-21 Federal Leadership Grant	FY-20-21-000007	84.002	<u>-</u>	<u>3,685</u>
Total Department of Education			<u>-</u>	<u>146,278</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 781,097</u>

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, 2022, 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, 2022**

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, 2022**

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

SECTION II – MANAGEMENT LETTER

None.