

**YOUTH EMPOWERMENT
PROJECT**

FINANCIAL REPORT

JUNE 30, 2019

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 Statement

I have audited the accompanying financial statements of Youth Empowerment Project (a non-profit organization) (the Organization) which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Empowerment Project as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Compensation, Benefits, and Other Payments to the Executive Director on page 17 is presented for the purposes of additional analysis and is 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 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 my 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*, I have also issued my report dated December 18, 2019 on my consideration of Youth Empowerment Project internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Emphasis of Matter

As described in Note 2 of the financial statements, in 2019, the Youth Empowerment Project adopted ASU 2016-02, Leases (*Topic 842*). My opinion is not modified with respect to this matter.

Reginald A. Bresette III, LLC
Certified Public Accountant
December 18, 2019

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Current Assets

Cash and cash equivalents (Note 2)	\$ 414,859
Investments (Note 3)	47,064
Unconditional promises to give (Note 5)	1,195,148
Reimbursement receivable (Note 6)	308,185
Inventory	53,005
Prepaid expenses	26,818
Employee advances	<u>5,120</u>

Total current assets 2,050,199

Assets restricted to investment in property,

Furniture, and equipment (Note 8)	
Cost less accumulated depreciation	1,212,291
Operating lease right-of-use asset	<u>145,606</u>

Total assets \$ 3,408,096

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 67,704
Operating lease liability	36,342
Mortgage payable	<u>23,584</u>

Total current liabilities 127,630

Operating lease liability, net of current maturities (Note 9)	109,260
Mortgage payable, net of current maturities (Note 10)	<u>473,103</u>
Total liabilities	<u><u>709,997</u></u>

Net Assets

Without donor restrictions	1,417,018
With donor restrictions (Note 12)	<u>1,281,081</u>

Total net assets 2,698,099

Total liabilities and net assets \$ 3,408,096

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, revenues and reclassifications			
Public support:			
Grants - United Way	\$ -	\$ 50,000	\$ 50,000
Grants - Federal Government	486,432	-	486,432
Grants - Other	712,791	1,435,700	2,148,491
Contributions	836,884	-	836,884
	<u>2,036,107</u>	<u>1,485,700</u>	<u>3,521,807</u>
 Revenues			
Program Service Revenue	220,971		220,971
Other Income	22,296		22,296
Total revenues	<u>243,267</u>		<u>243,267</u>
 Reclassifications:			
Net assets released from restrictions due to satisfaction of time and purpose restrictions	<u>1,170,656</u>	<u>(1,170,656)</u>	
Total reclassifications	<u>1,170,656</u>	<u>(1,170,656)</u>	
 Total support, revenues and reclassifications	<u>3,450,030</u>	<u>315,044</u>	<u>3,765,074</u>
 Expenses			
Program services	<u>3,190,317</u>		<u>3,190,317</u>
 Supporting services:			
Management and general	461,687		461,687
Fundraising	304,741		304,741
Total supporting services	<u>766,428</u>		<u>766,428</u>
 Total expenses	<u>3,956,745</u>		<u>3,956,745</u>
 CHANGES IN NET ASSETS	<u>(506,715)</u>	<u>315,044</u>	<u>(191,671)</u>
 NET ASSETS AT THE BEGINNING OF THE YEAR	<u>1,923,733</u>	<u>966,037</u>	<u>2,889,770</u>
 NET ASSETS AT THE END OF THE YEAR	<u>\$ 1,417,018</u>	<u>\$ 1,281,081</u>	<u>\$ 2,698,099</u>

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
Increase (decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from federal government	\$ 294,815
Cash received from state, local and private support	3,435,011
Cash received from program services	220,971
Cash received from other income	20,232
Cash payments for operating expenses	(1,272,467)
Cash payments for employee salaries and benefits	(2,645,451)
	53,111
Net cash provided by operating activities	53,111

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(45,000)
	(45,000)
Net cash used by investing activities	(45,000)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on mortgage payable	(22,597)
	(22,597)
Net cash used by financing activities	(22,597)
Net decrease in cash and cash equivalents	(14,486)
Cash and cash equivalents at beginning of year	429,345
	429,345
Cash and cash equivalents at end of year	\$ 414,859

Supplemental Information

Interest expense	\$ 23,171
	23,171

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSE
		MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	
Salaries	\$ 1,755,265	\$ 279,697	\$ 190,983	\$ 470,680	\$ 2,225,945
Benefits (Note 13)	331,975	34,293	53,238	87,531	419,506
Computer Network and Software Expenses	62,249	14,391	12	14,403	76,652
Consultants and Professional Services	62,898	8,259	2,990	11,249	74,147
Depreciation	-	44,575	-	44,575	44,575
Fundraising Events	1,529	7,501	45,557	53,058	54,587
General Insurance	68,878	12,292	842	13,134	82,012
Interest Expense	19,696	3,475	-	3,475	23,171
Miscellaneous	5,649	5,036	151	5,187	10,836
Office Expense	52,796	29,682	9,028	38,710	91,506
Rent (Note 11)	17,109	-	-	-	17,109
Repairs and Maintenance	28,739	3,186	-	3,186	31,925
Training	35,398	4,285	-	4,285	39,683
Travel and Meetings	81,535	7,243	458	7,701	89,236
Utilities and Telephone	70,527	7,472	1,482	8,954	79,481
Youth Related Expenses	596,074	300	-	300	596,374
Total	<u>\$ 3,190,317</u>	<u>\$ 461,687</u>	<u>\$ 304,741</u>	<u>\$ 766,428</u>	<u>\$ 3,956,745</u>

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

YOUTH EMPOWERMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – NATURE OF ACTIVITIES

Organizational History

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

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

Who We Serve

Through our programs, the Youth Empowerment Project reaches over 1,200 New Orleans youth between the ages of 7-24 each year. The vast majority of young people served reside in neighborhoods negatively impacted by poverty, crime, unemployment and violence. And, many YEP youth live in households that are struggling to cover the costs of basic needs (food, clothing and shelter) and have been personally touched by violence. During the most recent fiscal year, 92% of young people served by YEP were African American, 79% of participants indicated they had an annual income of less than \$20,000 and 69% resided in female headed households.

What We Do

There remains a shortage of programming in New Orleans for our city’s most vulnerable youth. YEP plays a unique and critical role in addressing this gap by being one of the only youth development organizations that provides comprehensive services to at-risk, out-of-school and court-involved young people between the ages of 7-24. All of YEP community based services are offered to eligible young people completely free of charge. YEP addresses key challenges and barriers to success that impact vulnerable youth through the following four areas of service:

YOUTH EMPOWERMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

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- YEP Mentors – providing at-risk young people with intensive, community-based mentoring and supportive services that include:
 1. Juvenile Justice Mentoring – offering intensive, individualized mentoring and supportive services to youth and their families to help support young people who are at various levels of involvement with the juvenile justice system. YEP has operated its Juvenile Justice Mentoring programming in partnership with the Louisiana Office of Juvenile Justice for the past 14 years.
 2. Community-Based Prevention – supporting youth ages 8-17 referred by the Families In Need of Services (FINS) program in St. Charles and Orleans Parish by providing youth with mentoring, tutoring, counseling and other wrap-around services.
 3. Community-Based Mentoring – supporting youth ages 8-16 who are not court-involved but are at-risk for delinquent behavior by providing them with mentoring, enrichment programming, counseling and other wrap-around services.

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

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

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

YOUTH EMPOWERMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Some of YEPs recent accomplishments that highlight the impact we have had on underserved youth in New Orleans include:

- During the 2018-2019 fiscal year, overall, 95% of YEP participants were satisfied with YEP programs, 98% said YEP gave them a better sense of community, and 94% said YEP helped them have hope for a positive future.
- YEP’s 2019 Summer Camp served 85 youth. 100% of parents surveyed said YEP responded to the needs of their child(ren).
- During the 2018-2019 fiscal year, YEP served 137 young people through our Afterschool Program. 94% of the participants indicated that they were satisfied with the program.
- Camp Mariposa conducted six camping weekends and served 73 young people during the 2018-2019 fiscal year. 100% of youth reported abstaining from alcohol and drugs.
- During fiscal year 2018-2019, 124 students successfully completed YEP’s Work and Learn Center programming. Of those, 109 (or 58%) moved into workforce development opportunities.
- 52 adult education students earned their HiSET (formerly the GED) through YEP Educates in the 2018-2019 fiscal year.
- YEP’s Postsecondary Transition Coordinator helped 52 YEP participants enroll into postsecondary education in the 2018-2019 fiscal year (including 2 and 4-year colleges and universities and technical and vocational training programs).
- In the 2018-2019 fiscal year, YEP’s Drumline and Dance Team performed in their first Mardi Gras parade, as well as a number of other public performances. YEP’s Drumline and Dance Team are cornerstones of YEP’s arts and music curriculum.

YOUTH EMPOWERMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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. Contributions are recognized when received or unconditionally promised.

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of YEPs management and the board of directors.

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

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

Uncertain Tax Positions - 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, 2019, YEP did not have any uncertain tax positions. Tax years ended June 30, 2016 and later remain subject to examination by taxing authorities.

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 December 20, 2019, which is the date the financial statements were available to be issued.

Contributions - Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

YEP maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. YEP has not experienced any losses in such accounts. YEP believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of June 30, 2019, cash and cash equivalents included \$187,503 of cash received and held for restricted purposes.

Fixed assets - 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 equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

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).

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.

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.

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.

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 with any realized or unrealized gains or losses reported in the Statement of Activities.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

New Accounting Pronouncement – On February 25, 2016, FASB issued ASU 2016-02, Leases (Topic 842). The update addresses the complexity and understandability of recognizing that leases give rise to assets and liabilities that should appear on the balance sheets of lessees. YEP has adjusted the presentation of these statements accordingly.

NOTE 3 – INVESTMENTS:

YEP’S investments consists of the following at June 30, 2019:

	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Mutual Funds, consisting of 74% equities and 26% fixed income	<u>\$45,000</u>	<u>\$47,064</u>	<u>\$2,064</u>
	<u>\$45,000</u>	<u>\$47,064</u>	<u>\$2,064</u>

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

YEP’S assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with SFAS 157. See Note 2 for a description of YEP’S policies and valuation procedures.

The valuation of YEP’S assets and liabilities measured at fair value on a recurring basis at June 30, 2019.

YOUTH EMPOWERMENT PROJECT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Assets

Investments	<u>\$47,064</u>
	<u>\$47,064</u>

Level I financial instruments have observable market prices.

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE:

During the year YEP entered into contracts representing unconditional promises to give as follows:

Various grant agreements were established during the year in which \$2,684,923 was awarded. At June 30, 2019 funds of \$1,735,383 have been received which includes \$875,186 from prior years.

Unconditional promises to give at June 30, 2019 and expected to be collected in the future total \$1,195,148.

NOTE 6 – REIMBURSEMENTS RECEIVABLE

YEP has incurred expenses related to providing services to court-involved, at-risk, and out of school youths at June 30, 2019 in excess of contract fees for services received at that date. A receivable has been recorded on these cases for the excess expenses as follows:

29 th Judicial District	\$11,250
Crescent Care	438
City of New Orleans	28,087
Criminal District Court	22,083
LCTCS - Federal	18,676
LCTCS – State	2,697
LYFE	9,929
Office of Juvenile Justice	22,066
Orleans Parish Juvenile Court	4,838
NORDC	15,179
SNAP ET	172,942
	<u>\$308,185</u>

No provision is made for uncollectible amounts which historically have been insignificant.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

YEP has \$1,695,937 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$3,985,545, contributions receivable of \$1,234,014, and short-term investments of \$461,923. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year.

YEP has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$656,828. YEP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, YEP invests cash in excess of daily requirements in various short-term investments. YEP also has committed lines of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity level.

NOTE 8 – PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30, 2019.

Buildings	\$ 1,057,195
Land	114,305
Improvements	211,880
Furniture, Equipment and Software	123,178
Less: accumulated depreciation	<u>(294,267)</u>
Net book value	<u>\$ 1,212,291</u>

Depreciation expense for the year ended June 30, 2019 was \$44,575.

NOTE 9 – OPERATING LEASE LIABILITY

YEP has operating leases for a satellite office in Hahnville, Louisiana and an office for Thrift Works in New Orleans, Louisiana. The leases have remaining lease terms of 1 year to 5 years. The discount rate used to calculate the lease liability balance was the 5 year treasury rate of 1.5%.

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

The maturities of the lease liabilities are as follows:

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2019-2020	\$36,342
2020-2021	28,510
2021-2022	28,086
2022-2023	27,668
2023-2024	25,000
	<u>\$145,606</u>

NOTE 10 – 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, 2019, the principal balance of the note is \$496,687 of which \$23,584 is due within the next twelve months. As of June 30, 2019, the note is in current condition.

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

2019 – 2020	\$23,584
2020 – 2021	<u>473,103</u>
	<u>\$496,687</u>

NOTE 11 – LEASE COMMITMENTS

YEP leased a satellite office for employee access in Hahnville, Louisiana under a cancelable agreement accounted for as an operating lease during the year ended June 30, 2019. The lease expires December 31, 2019. Future minimum lease payments at June 30, 2019 are \$3,726.

YEP leased space for Thrift Works in New Orleans, Louisiana under a cancelable agreement accounted for as an operating lease during the year ended June 30, 2019. The lease expires May 31, 2024. Future minimum lease payments at June 30, 2019 are \$143,252.

Rent expense incurred under the leases was \$17,109 for the year ended June 30, 2019.

NOTE 12 – 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, 2019, net assets with donor restrictions are comprised of cash and receivables from the following sources:

YOUTH EMPOWERMENT PROJECT
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Andrus Family Fund	\$75,000
Baptist Community Ministries	262,500
Conrad Hilton Foundation	100,000
Cowen Institute	11,000
Elma Music Foundation	150,000
NORDC	15,180
Methodist Health Systems Foundation	90,000
The Sunshine Lady Foundation	100,000
Trafigura Foundation	224,025
United Way	28,376
WK Kellogg Foundation	<u>225,000</u>
 TOTAL	 <u>\$1,281,081</u>

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

Andrus Family Foundation	\$87,500
Aspen Institute	18,333
Baptist Community Ministries	160,000
Conrad Hilton Foundation	100,000
Elma Music Foundation	75,000
Methodist Health System Foundation	67,500
International Youth Foundation	25,000
NORDC	8,100
ProBono Publico	3,750
Starbucks	10,000
The Sunshine Lady Foundation	100,000
Trafigura Foundation	240,100
United Way	46,623
WK Kellogg Foundation	225,000
Edward Wisner Donation	<u>3,750</u>
 Total net assets released – 2018–2019	 <u>\$ 1,170,656</u>

YOUTH EMPOWERMENT PROJECT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 13 – EMPLOYEE PENSION PLAN

YEP adopted a 403b 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 2018 – 2019 compensation for each participating employee. YEP's obligation for contributions to the plan as of June 30, 2019 was \$26,795 which consisted entirely of the YEP's employer matching contribution.

NOTE 14 – 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.

NOTE 15 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supported services benefited.

NOTE 16 – CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

YEP receives grants and contracts for services from the public and foundations which comprises the majority of its revenue.

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, 2019 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.

NOTE 17 – LITIGATION AND CLAIMS

There is no pending litigation against YEP at June 30, 2019. 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.

SUPPLEMENTAL INFORMATION

**YOUTH EMPOWERMENT PROJECT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2019**

Agency Head Name: Melissa Sawyer, Executive Director

Purpose	Amount
Salary*	\$13,406
Benefits – health, dental and disability*	\$375
Benefits – retirement*	\$335

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

SPECIAL REPORTS OF INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S 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,
Youth Empowerment Project
New Orleans, Louisiana

I 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 (the Company)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Reginald A. Bresette, III LLC
Certified Public Accountant

December 18, 2019

YOUTH EMPOWERMENT PROJECT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section I – Summary of Auditors’ Reports

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting

Material Weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness _____ Yes X None reported

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

Youth Empowerment Project did not receive federal awards in excess of \$750,000 during the year ended June 30, 2019 and, therefore, is exempt from the audit requirements under the Single Audit Act and uniform guidance.

Section II – Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2019 related to internal control over financial reporting.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the financial statements for the year June 30, 2019.

Section III – Federal Award Findings and Responses

Not Applicable

SPECIAL REPORTS OF MANAGEMENT

YOUTH EMPOWERMENT PROJECT

SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS

For the Year Ended June 30, 2019

SECTION I – Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2018 related to internal control over financial reporting.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the financial statements for the year June 30, 2018. .

SECTION II – Internal Control and Compliance Material to Federal Awards

The Organization did not receive federal awards in excess of \$750,000 for the year ended June 30, 2018 and therefore this is not applicable.

SECTION III – Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2018.

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2019

SECTION I – Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2018 related to internal control over financial reporting.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the financial statement for the year June 30, 2019.

SECTION II – Internal Control and Compliance Material to Federal Awards

The Organization did not receive federal awards in excess of \$750,000 for the year ended June 30, 2019, and therefore this is not applicable.

SECTION III – Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2019.