YOUTHPRISE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
December 31, 2018 and 2017

- This page intentionally left blank -

YOUTHPRISE
TABLE OF CONTENTS

	Reference	Page Number
Independent Auditor's Report		1
FINANCIAL STATEMENTS		
Statements of Financial Position	Statement 1	4
Statements of Activities	Statement 2	5
Statements of Functional Expenses	Statement 3	6
Statements of Cash Flows	Statement 4	7
Notes to Financial Statements		9

- This page intentionally left blank -

REDPATH AND COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youthprise
Minneapolis, Minnesota

We have audited the accompanying financial statements of Youthprise (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youthprise as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019 on our consideration of Youthprise's internal control over financial reporting and on our tests of 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 the effectiveness of Youthprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youthprise's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 9, 2019

FINANCIAL STATEMENTS

YOUTHPRISE
STATEMENTS OF FINANCIAL POSITION **Statement 1**
December 31, 2018 and 2017

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	$3,105,169	$2,636,111
Contributions and grants receivable	1,102,841	883,157
Prepaid expenses	41,826	40,255
Right-of-use asset - operating lease, current portion	65,038	63,660
Total current assets	4,314,874	3,623,183
Security deposits	9,200	9,200
Long-term contributions and grants receivable, net	34,076	48,828
Right-of-use asset - operating lease, net of current portion	361,448	426,485
Fixed assets, net	118,754	167,755
Total assets	$4,838,352	$4,275,451
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$131,555	$213,270
Grants payable	469,612	1,124,373
Accrued liabilities	120,388	110,069
Lease liability - operating lease, current portion	63,675	48,804
Total current liabilities	785,230	1,496,516
Lease liability - operating lease, net of current portion	383,881	447,556
Total liabilities	1,169,111	1,944,072
Net assets:		
Without donor restrictions:		
Undesignated	654,818	487,509
Designated by the Board for working capital reserve	1,000,000	1,000,000
Total without donor restriction	1,654,818	1,487,509
With donor restrictions	2,014,423	843,870
Total net assets	3,669,241	2,331,379
Total liabilities and net assets	$4,838,352	$4,275,451

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

YOUTHPRISE
STATEMENTS OF ACTIVITIES **Statement 2**
For The Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Contributions and grants	$2,066,470	$5,618,343	$7,684,813	$3,167,190	$1,420,081	$4,587,271
Contract fee for service	98,343	-	98,343	159,447	-	159,447
Interest income	22,399	-	22,399	7,345	-	7,345
Gain on donated securities	-	-	-	2,420	-	2,420
Miscellaneous income	19,610	-	19,610	-	-	-
Net support and revenue	2,206,822	5,618,343	7,825,165	3,336,402	1,420,081	4,756,483
Net assets released from restriction	4,447,790	(4,447,790)	-	6,768,248	(6,768,248)	-
Total support and revenues	6,654,612	1,170,553	7,825,165	10,104,650	(5,348,167)	4,756,483
Expenses:						
Program services	5,292,081	-	5,292,081	7,734,056	-	7,734,056
Supportive services:						
Management and general	701,100	-	701,100	723,031	-	723,031
Fundraising	494,122	-	494,122	348,889	-	348,889
Total expenses	6,487,303	0	6,487,303	8,805,976	0	8,805,976
Change in net assets	167,309	1,170,553	1,337,862	1,298,674	(5,348,167)	(4,049,493)
Net assets - beginning of year	1,487,509	843,870	2,331,379	188,835	6,192,037	6,380,872
Net assets - end of year	$1,654,818	$2,014,423	$3,669,241	$1,487,509	$843,870	$2,331,379

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

YOUTHPRISE
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2018 and 2017

Statement 3

	2018			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses:				
Strategic investments	$4,013,555	$ -	$ -	$4,013,555
Salaries	816,592	262,859	146,132	1,225,583
Benefits and payroll taxes	228,728	74,402	41,945	345,075
Fees for services (non-employees):				
Management	-	27,963	-	27,963
Legal	15,000	22,344	-	37,344
Audit	-	19,500	-	19,500
Administrative support	4,780	22,671	2,117	29,568
Research	58,506	-	-	58,506
Evaluation	3,594	-	-	3,594
Fundraising	-	-	249,285	249,285
Other	27,881	1,650	13,690	43,221
Office expenses	59,712	28,508	20,158	108,378
Information technology	33,163	22,402	4,584	60,149
Occupancy	8,667	134,409	1,801	144,877
Travel	21,178	3,719	5,313	30,210
Depreciation	-	49,002	-	49,002
Insurance and other expenses	725	31,671	9,097	41,493
Total expenses	$5,292,081	$701,100	$494,122	$6,487,303

	2017			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses:				
Strategic investments	$6,306,095	$ -	$ -	$6,306,095
Salaries	811,765	255,701	145,334	1,212,800
Benefits and payroll taxes	212,935	56,806	26,221	295,962
Fees for services (non-employees):				
Management	60	60,258	-	60,318
Legal	45,000	29,383	-	74,383
Audit	-	15,325	-	15,325
Administrative support	-	34,705	-	34,705
Research	58,387	-	-	58,387
Evaluation	78,853	4,952	-	83,805
Fundraising	-	-	123,839	123,839
Other	52,105	12,093	20,009	84,207
Office expenses	75,987	26,446	25,506	127,939
Information technology	38,145	22,442	2,894	63,481
Occupancy	9,490	120,070	1,442	131,002
Travel	44,033	11,225	2,651	57,909
Depreciation	-	44,593	-	44,593
Insurance and other expenses	1,201	29,032	993	31,226
Total expenses	$7,734,056	$723,031	$348,889	$8,805,976

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

YOUTHPRISE
STATEMENTS OF CASH FLOWS **Statement 4**
For The Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$1,337,862	($4,049,493)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	49,002	44,593
Amortization of lease asset and liability	74,582	98,134
Payments made on lease liability	(59,728)	(91,919)
(Gain) loss on disposal of fixed assets	-	4,711
Changes in assets and liabilities:		
(Increase) decrease in contributions and grants receivable	(204,932)	3,979,356
(Increase) decrease in prepaid expenses	(1,571)	(28,877)
(Increase) decrease in security deposits	-	(9,200)
Increase (decrease) in accounts payable	(81,715)	83,837
Increase (decrease) in grants payable	(654,761)	738,561
Increase (decrease) in accrued liabilities	10,319	13,315
Net cash provided by operating activities	469,058	783,018
Cash flows from investing activities:		
Purchase of fixed assets	-	(121,200)
Net increase in cash and cash equivalents	469,058	661,818
Cash and cash equivalents - beginning of year	2,636,111	1,974,293
Cash and cash equivalents - end of year	$3,105,169	$2,636,111
Supplemental disclosure of non-cash investing and financing activity:		
Right-of-use asset resulting from operating lease	$0	$495,419

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

- This page intentionally left blank -

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Youthprise (the Organization) is a Minnesota not-for-profit 501(c)(3) corporation established in October 2010 by The McKnight Foundation. Youthprise is a youth-centered philanthropic organization that invests in the future of Minnesota by investing in youth. Our mission is to reduce racial disparities with and for Minnesota youth with a focus in the areas of learning and leadership, economic opportunity, and health and safety. We strategically combine funding, capacity building, policy advocacy, and research and authentically engage young people in our governance and operations.

Learning and Leadership: Youthprise promotes the learning, leadership, and social-emotional development of youth. Programs and initiatives supported in this area expose youth to arts and culture, enrichment activities, technical assistance and youth leadership opportunities. We seek to shift how programs interact with youth and support programs that engage youth in leadership and governance, a practice that we model at Youthprise. We embed young people across all areas of our organization, and we have 50% representation of youth on our Board of Directors. In 2018, Youthprise invested $1,054,843 in Learning and Leadership for grants and strategic investments.

Economic Opportunity: Youthprise creates opportunities for economic prosperity by supporting programs and initiatives that build workforce skills, promote youth entrepreneurship, and expose youth to career pathways. We work with a range of stakeholders across sectors to equip young people with the economic tools to thrive. In 2018, Youthprise awarded grants to connect young people with career pathways in high demand industries such as healthcare, IT, automotive and customer service in the Twin Cities and Greater Minnesota communities including Northfield, Duluth, and Sauk Rapids. In 2018, Youthprise invested $1,258,010 in Economic Opportunity for grants and strategic investments.

Health and Safety: Youthprise supports programs and initiatives that promote the health and safety of young people. In addition to meeting basic food needs through our Nutrition Program, we work with community-based organizations to link healthy lifestyles with good nutrition. We take a holistic approach to health and safety and advance intervention strategies that prevent the criminalization of youth, which can pose a threat to public safety. In 2018 Youthprise expanded our Nutrition Hub which served 4,200 unduplicated youth with over 253,000 meals and snacks at 52 sites. Additionally, we support a number of initiatives that seek to reduce disparities in the juvenile justice system and contact between non-violent youth and law enforcement. In 2018, Youthprise invested $1,719,436 in grants and strategic investments.

B. BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting and are presented in accordance with the FASB Accounting Standards Codification (ASC) 958, 'Not-for-profit Entities', and the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of

time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as net assets with donor restrictions.

C. ACCOUNTING 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 related disclosures. Accordingly, actual results could differ from those estimates.

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of six months or less when purchased to be cash equivalents.

E. RECEIVABLES

Miscellaneous receivables are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received.

Contributions and grants receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using the prime lending rate applicable to the year in which the promise is received. Conditional contributions and grants receivable are not included as support until such time as the conditions are substantially met.

F. CONTRIBUTIONS

Contributions received are measured at their fair value and are reported as an increase in net assets. All contributions with donor stipulations that limit their use are reported as restricted revenue when received. For net assets with donor restrictions, when the time or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of net assets as released from restriction.

G. DONATED GOODS AND SERVICES

Donations of goods are recorded at the estimated fair value on the date received. Contributed services, which require special skill and the Organization would have paid for if not donated, are recorded at their estimated fair value when the services are rendered.

H. FIXED ASSETS

Fixed assets are stated at cost if purchased by the Organization or at the fair value of the asset at the date of the gift if received by donation. The Organization uses a capitalization threshold of $5,000. Maintenance and repairs of property and equipment are charged to operations, and major renewals are capitalized. Donations of property and equipment are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Depreciation is provided using the straight-line method over estimated useful lives as follows:

Leasehold improvements	7 years
Furniture	7 years
Equipment and software	3 - 7 years

I. INCOME TAXES

The Organization is exempt from federal income taxes as a publicly supported organization under Section 501(c)(3) of the Internal Revenue Code. Contributions made to the organization are tax deductible.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Organization has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

J. FUNCTIONAL EXPENSES

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In 2016, the Organization implemented a Cost Allocation Plan to be in conformity with the Office of Management and Budget (OMB) Part 200 for Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. In compliance with OMB Part 200 referenced above, the Organization expenses costs to three pools: 1) direct, 2) intermediate indirect, or 3) indirect for facilities and administration (F&A). Costs that can be identified specifically with one or more projects (cost objectives) are charged directly to those projects. Costs that are not readily identifiable with one or more projects, but that benefit one or more projects of the organization are assigned to the intermediate indirect cost pool, and allocated across applicable projects on a non-financial base. The Organization has determined that the base which provides the most equitable distribution of intermediate indirect costs is employee hours as reported on electronic timesheets in the two payroll periods that most closely fall within the calendar month. For grant reporting only, costs assigned to indirect F & A are allocated across all programs using a 10% de minimis rate.

K. RECLASSIFICATIONS

Certain prior year amounts were reclassified to conform with current year presentation.

Note 2 LIQUIDITY AND AVAILABILITY

At December 31, 2018 the Organization has $2,227,663 of financial assets available within one year to meet cash needs for general expenditure consisting of cash of $1,139,168 and accounts receivable of $1,088,495. $2,014,423 of the financial assets are subject to donor, time or other contracted restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

At December 31, 2017 the Organization had $2,724,226 of financial assets available within one year to meet cash needs for general expenditure consisting of cash of $1,841,069 and accounts receivable of $883,157. $843,870 of the financial assets are subject to donor, time or other contracted restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

At December 31, 2018 and 2017 the Organization has board designated net assets of $1,000,000 for a working capital reserve. This amount has not been excluded from financial assets available within one year to meet cash needs for general expenditures as the board could undesignated these net assets if needed.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which were approximately $1,073,000 and $1,460,000 at December 31, 2018 and 2017, respectively.

Note 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

Collection of contributions and grants receivable at December 31 is expected as follows:

	2018	2017
Amounts due in:		
Less than one year	$1,102,841	$883,157
One to five years	36,961	50,000
Less: present value discount	(2,885)	(1,172)
Total contributions and grants receivable	$1,136,917	$931,985

A discount rate of 3.6% and approximately 2.4% was used as of December 31, 2018 and 2017. As of December 31, 2018, approximately 77% of contributions receivable was from one grantor. As of December 31, 2017, approximately 79% of contributions receivable before the unamortized discount rate was from three donors.

Note 4 FIXED ASSETS

Fixed assets at December 31 are as follows:

	2018	2017
Leasehold improvements	$35,398	$35,398
Furniture	180,362	180,362
Equipment and software	204,266	204,266
Total	420,026	420,026
Less: accumulated depreciation	(301,272)	(252,271)
Net fixed assets	$118,754	$167,755

Note 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 consist of the following:

	2018	2017
Restricted for purpose:		
Program and administration support	$681,601	$28,868
Ramsey County Supportive Services	457,808	-
Nutrition Program	217,223	13,842
Minnesota Afterschool Advance	151,406	-
Wrap Around Services for System- Involved Youth	127,950	268,500
Accelerator Initiative	100,000	198,828
Community Ambassadors	74,400	-
Northfield Youth Investment Fund	46,500	-
Everybody's In	45,691	-
YouthBank	39,600	22,930
Urban Tennis Fund	37,944	838
Opportunity Reboot	25,000	-
YoPro Fitness and Nutrition	9,300	9,300
Health Equity in Action	-	124,344
Somali Youth Development and Capacity Building	-	53,438
Sanneh Capital Fund	-	48,918
St. Paul Youth Intervention Initiative - Community Ambassadors	-	38,304
Systems Building	-	13,950
Other	-	21,810
Total net assets with donor restrictions	$2,014,423	$843,870

Some net assets restricted for purpose are also restricted for time.

Note 6 DONATED GOODS AND SERVICES

Donated goods and services are recorded as contributions in the accompanying statements at fair value at the date of receipt. The Organization received $500 and $0 of donated goods and services for 2018 and 2017.

Note 7 REVENUE CONCENTRATIONS

The Organization received 87% of revenue from 10 governmental entities and one foundation for 2018. The Organization received 79% of revenue from 12 governmental entities for 2017.

Note 8 RETIREMENT PLAN

The Organization sponsors a retirement plan for all employees pursuant to section 403(b) of the Internal Revenue Code. Retirement expense was $57,685 and $53,779 for 2018 and 2017, respectively.

Note 9 STRATEGIC INVESTMENTS

During 2018 and 2017, the Board of Directors approved $4,013,555 and $6,306,095 in contracts, leveraging matching grants, challenge grants, and field-building efforts to provide technical assistance. These contracts, leverage matching grants and challenge grants will be recognized as the services are provided or the conditions of the leverage matching grants or challenge grants are met.

Note 10 LEASED FACILITIES AND EQUIPMENT

Effective November 15, 2017, the Organization entered into a new lease agreement for its administrative and program office, covering the period from November 15, 2017 through February 28, 2025. The lease is recorded in the Organization's assets and liabilities for its right-of-use of the asset for the lease term. Leased office expenses are straight-lined over the life of the lease.

The lease includes base rent and variable additional rent for taxes and operating costs. The organization has two options to extend the lease for five years each. These options are not recognized as part of the Organization’s lease-related assets and liabilities. The operating lease liability was determined using a present value rate of 2.28% based on comparable U.S. Treasury bond rates.

Minimum future lease payments for the operating lease base rent are:

2019	$73,530
2020	75,388
2021	77,246
2022	79,104
2023	80,962
Thereafter	82,820
Total	469,050
Less: present value adjustment	(21,494)
Net lease liability	$447,556

A telephone system is also rented on a month-to-month basis.

Total 2018 and 2017 rent and equipment lease expenses were $144,877 and $131,002, respectively.

Note 11 CONDITIONAL GRANTS

Conditional grants are recognized as revenue as the conditions are met. The Organization was awarded a three year conditional grant of $12.5 million in 2016. As of December 31, 2018 and 2017, $8.5 million and $4.5 million of the grant has been recognized, respectively. The Organization was awarded a five year conditional grant of $2.5 million in 2018. As of December 31, 2018, $500,000 of the grant has been recognized.

Note 12 GRANT COMPLIANCE AUDITS, CONTINGENCIES AND UNCERTAINTIES

The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowances at the time the final assessment is made.

As of the date of this report, the Office of the Inspector General (OIG) is in the process of conducting an audit of the Organization's Corporation for National and Community Service (CNCS) Social Innovation Fund Grant. The OIG has claimed that the Organization has inadequate internal controls over its subrecipient monitoring and has identified material questioned costs related to awards passed through to the Organization's subrecipients. Management of the Organization disagrees with the OIG's preliminary findings and is actively working with the OIG and the CNCS to resolve the issues identified. Management believes the likelihood of repayment is less than probable and, accordingly, has not recorded a liability. In the event it is determined any amounts are required to be refunded, it would be recorded as a liability or a reduction of any outstanding receivables at that time.

Note 13 SUBSEQUENT EVENT

Management has evaluated subsequent events through April 9, 2019, the date that the report was available to be issued, and concluded that there are no subsequent events that require disclosure.

- This page intentionally left blank -