YOUTHPRISE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
December 31, 2020 and 2019

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YOUTHPRISE
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REDPATH AND COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youthprise
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Youthprise (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 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, 2020 and 2019, 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 July 19, 2021, on our consideration of Youthprise'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 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

July 19, 2021

FINANCIAL STATEMENTS

YOUTHPRISE
STATEMENTS OF FINANCIAL POSITION **Statement 1**
December 31, 2020 and 2019

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	$4,176,326	$4,475,985
Contributions and grants receivable	1,801,449	2,734,515
Inventory	77,734	-
Prepaid expenses	57,136	49,382
Right-of-use asset - operating lease, current portion	68,088	66,524
Total current assets	6,180,733	7,326,406
Security deposits	9,200	9,200
Long-term contributions and grants receivable, net	20,931	26,213
Right-of-use asset - operating lease, net of current portion	226,836	294,924
Fixed assets, net	69,184	90,273
Total assets	$6,506,884	$7,747,016
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$426,631	$86,330
Grants payable	596,241	1,317,868
Accrued liabilities	151,871	140,224
Deferred revenue	13,497	26,992
Fiscal agency obligation	347,768	701,159
Lease liability - operating lease, current portion	70,442	67,020
Total current liabilities	1,606,450	2,339,593
Noncurrent liabilities:		
Refundable advance - PPP loan	308,900	-
Lease liability - operating lease, net of current portion	246,419	316,861
Total noncurrent liabilities	555,319	316,861
Total liabilities	2,161,769	2,656,454
Net assets:		
Without donor restrictions:		
Undesignated	1,200,406	765,824
Designated by the Board for working capital reserve	1,000,000	1,000,000
Total without donor restrictions	2,200,406	1,765,824
With donor restrictions	2,144,709	3,324,738
Total net assets	4,345,115	5,090,562
Total liabilities and net assets	$6,506,884	$7,747,016

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

YOUTHPRISE
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2020 and 2019

Statement 2

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Contributions and grants	$6,434,511	$3,666,763	$10,101,274	$1,425,833	$6,932,082	$8,357,915
Contract fee for service	110,702	-	110,702	90,618	-	90,618
Interest income	25,317	-	25,317	43,887	-	43,887
Miscellaneous income	9,795	-	9,795	18,376	-	18,376
Net support and revenue	6,580,325	3,666,763	10,247,088	1,578,714	6,932,082	8,510,796
Net assets released from restriction	4,846,792	(4,846,792)	-	5,163,959	(5,163,959)	-
Total support and revenues	11,427,117	(1,180,029)	10,247,088	6,742,673	1,768,123	8,510,796
Expenses:						
Program services	9,719,563	-	9,719,563	5,404,601	-	5,404,601
Supportive services:						
Management and general	718,641	-	718,641	668,398	-	668,398
Fundraising	554,331	-	554,331	558,241	-	558,241
Total expenses	10,992,535	0	10,992,535	6,631,240	0	6,631,240
Change in net assets	434,582	(1,180,029)	(745,447)	111,433	1,768,123	1,879,556
Net assets - beginning of year	1,765,824	3,324,738	5,090,562	1,654,391	1,556,615	3,211,006
Net assets - end of year	$2,200,406	$2,144,709	$4,345,115	$1,765,824	$3,324,738	$5,090,562

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

YOUTHPRISE
STATEMENTS OF FUNCTIONAL EXPENSES
For The Years Ended December 31, 2020 and 2019

Statement 3

	2020			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses:				
Strategic investments	$7,898,764	$ -	$ -	$7,898,764
Salaries	1,133,403	228,914	330,297	1,692,614
Benefits and payroll taxes	296,259	53,283	74,474	424,016
Fees for services (non-employees):				
Management	10,800	68,095	-	78,895
Legal	34,414	19,992	-	54,406
Audit	-	20,679	-	20,679
Administrative support	5,910	36,496	-	42,406
Research	17,140	-	-	17,140
Fundraising	-	-	127,387	127,387
Other	183,197	5,201	225	188,623
Office expenses	75,974	8,542	2,689	87,205
Information technology	45,700	47,189	11,279	104,168
Occupancy	10,353	136,693	2,811	149,857
Travel	6,692	6,873	582	14,147
Depreciation	-	21,089	-	21,089
Insurance and other expenses	957	65,595	4,587	71,139
Total expenses	$9,719,563	$718,641	$554,331	$10,992,535

	2019			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Expenses:				
Strategic investments	$4,131,834	$ -	$ -	$4,131,834
Salaries	804,543	204,777	271,328	1,280,648
Benefits and payroll taxes	235,295	60,465	70,016	365,776
Fees for services (non-employees):				
Management	9,352	60,546	-	69,898
Legal	34,000	18,326	-	52,326
Audit	-	19,890	-	19,890
Administrative support	1,558	30,169	1,008	32,735
Research	5,138	-	-	5,138
Evaluation	13,468	-	-	13,468
Fundraising	-	-	167,890	167,890
Other	44,756	1,750	2,975	49,481
Office expenses	37,631	47,042	18,703	103,376
Information technology	33,965	23,598	10,776	68,339
Occupancy	9,200	130,118	3,235	142,553
Travel	42,842	7,200	5,923	55,965
Depreciation	-	28,482	-	28,482
Insurance and other expenses	1,019	36,035	6,387	43,441
Total expenses	$5,404,601	$668,398	$558,241	$6,631,240

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

YOUTHPRISE
STATEMENTS OF CASH FLOWS **Statement 4**
For The Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	($745,447)	$1,879,556
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	21,089	28,482
Amortization of lease asset and liability	74,582	74,582
Payments made on lease liability	(75,078)	(73,220)
Changes in assets and liabilities:		
(Increase) decrease in contributions and grants receivable	938,348	(1,623,811)
(Increase) decrease in inventory	(77,734)	-
(Increase) decrease in prepaid expenses	(7,754)	(7,556)
Increase (decrease) in accounts payable	340,301	(45,225)
Increase (decrease) in grants payable	(721,627)	848,256
Increase (decrease) in accrued liabilities	11,647	19,836
Increase (decrease) in fiscal agency obligation	(353,391)	242,924
Increase (decrease) in deferred revenue	(13,495)	26,992
Increase (decrease) in refundable advance - PPP loan	308,900	-
Net cash provided (used) by operating activities	(299,659)	1,370,816
Net increase (decrease) in cash and cash equivalents	(299,659)	1,370,816
Cash and cash equivalents - beginning of year	4,475,985	3,105,169
Cash and cash equivalents - end of year	$4,176,326	$4,475,985

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

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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 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 increase equity with and for Minnesota's indigenous, low-income and racially diverse youth. 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 goal of 50% representation of youth on our Board of Directors. In 2020 our Minnesota Afterschool Advance (MAA) program scaled up to help low-income students in 213 cities across Minnesota. Designed to help low-income students afford after-school programming, MAA pivoted during the pandemic to help distribute over 1,200 Chromebooks to assist with distance learning—at no out-of-pocket cost to families. It also funded tutoring and other academic opportunities to mitigate Covid-related learning loss. In 2020, Youthprise invested $1,325,478 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 2020, Youthprise awarded grants to connect young people with career pathways in high demand industries such as healthcare, information technology, automotive, and customer service, in the Twin Cities and Greater Minnesota communities including Northfield, Duluth, and Sauk Rapids. In 2020, Youthprise invested $1,241,462 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 2020, Youthprise supported 45 Nutrition sites across the Twin Cities and served over 1,422,157 meals and snacks to an estimated 12,000 young people ages six to 18. 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 2020, Youthprise invested $5,331,824 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.' The Organization reports 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. INVENTORY

The Organization has inventory comprised of program-related Chromebooks held for distribution to program recipients, which are recorded at cost.

F. FISCAL AGENCY ACTIVITY

The Organization has a fiscal agent agreement with a grantor to oversee solicitation, funding, and monitoring of services provided to grantees. The grantor determines the direction for services funded, amounts funded, target populations to be served, and provides overall oversight of the program. The Organization provides administration of grants, including conducting a competitive grant process for the disbursement of funds, and then executes and oversees the grant agreements. The portion of the funds received by the Organization for its administration of grants is treated as contract fee for service revenue once performance obligations are fulfilled. The remainder of the assets held by the Organization, to be distributed to grantees through the competitive grant process, are recorded at fair value. A related liability for future payments to be made to grantees are recorded at fair value. In subsequent years, the liability for future payments is reduced by the actual payments made to the grantees. Assets held in cash and fiscal agency obligation liabilities were $347,768 and $701,159 as of December 31, 2020 and 2019, respectively.

G. RECEIVABLES

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.

H. REVENUE AND REVENUE RECOGNITION

CONTRIBUTIONS AND GRANTS

The Organization recognizes contributions and grants at fair value when cash or an unconditional promise to give is received. Conditional promises to give, that is, those with measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met (Note 12).

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. Funding sources may, at their discretion, amend the grant amounts. Reimbursements for expenses or return of funds, or both, may be requested as a result of noncompliance with terms of grants. The Organization records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

See Note 5 for detail of the Paycheck Protection Program loan revenue recognized in 2020.

CONTRACT FEE FOR SERVICE

Contract fee for service revenues are exchange transactions recognized in accordance with ASU 606, upon completion the performance obligations specified in the underlying contract. Revenue is reported at the estimated transaction price, which includes an indirect cost charge for administration, or the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing services. The Organization determines the transaction price based on standard charges for services provided. At contract inception, the Organization assesses the services promised to identify the performance obligations. The performance obligations are considered satisfied once all performance obligations are met.

I. 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.

J. 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

K. 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.

L. 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.

Note 2 LIQUIDITY AND AVAILABILITY

At December 31, 2020, the Organization has $3,506,229 of financial assets available within one year to meet cash needs for general expenditure consisting of cash of $1,874,490 and accounts receivable of $1,631,739. $2,492,477 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, 2019, the Organization had $3,210,816 of financial assets available within one year to meet cash needs for general expenditure consisting of cash of $2,381,158 and accounts receivable of $829,658. $4,025,897 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, 2020 and 2019, 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 operating expenses.

Note 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

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

	2020	2019
Amounts due in:		
Less than one year	$1,801,449	$2,734,515
One to five years	22,369	27,981
Less: present value discount	(1,438)	(1,768)
Total contributions and grants receivable	$1,822,380	$2,760,728

A discount rate of approximately 3.6% was used as of December 31, 2020 and 2019. As of December 31, 2020, approximately 74% of contributions receivable was from four grantors. As of December 31, 2019, approximately 89% of contributions receivable was from two grantors.

Note 4 FIXED ASSETS

Fixed assets at December 31 are as follows:

	2020	2019
Leasehold improvements	$35,398	$35,398
Furniture	180,362	180,362
Equipment and software	204,267	204,267
Total	420,027	420,027
Less: accumulated depreciation	(350,843)	(329,754)
Net fixed assets	$69,184	$90,273

Note 5 PAYCHECK PROTECTION PROGRAM LOAN

The Organization entered into an unsecured loan agreement with Bremer Bank (the Lender) on April 17, 2020 for $308,900, pursuant to the Paycheck Protection Program (PPP) created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The loan proceeds are to be used for payroll costs, payments on mortgage interest, rent, utilities and interest on other debt obligations, with at least 60% of the amount to be used for payroll costs as permitted by the CARES Act. The Organization elected to account for this loan as a conditional contribution under FASB ASC 958-605. As of December 31, 2020, the full amount of the loan is recorded as a refundable advance. The Organization will consider all conditions to be met and revenue without donor restrictions will be recognized upon receiving notification of full forgiveness by the SBA, which occurred on April 26, 2021.

Note 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Restricted for purpose:		
Program and administration support	$1,175,021	$2,462,790
Nutrition program	411,866	210,806
COVID-19 community support	95,000	-
Opportunity reboot	113,307	250,000
Everybody's In	68,759	53,964
Youth participatory action research	54,342	250,000
Youth sports	36,800	-
Accelerator Initiative	14,493	32,452
Minnesota Afterschool Advance	10,000	45,256
Other	15,121	19,470
Total restricted for purpose	1,994,709	3,324,738
Restricted for time	150,000	-
Total net assets with donor restrictions	$2,144,709	$3,324,738

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

Note 7 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 $56,905 and $250 of donated goods and services for 2020 and 2019, respectively.

Note 8 REVENUE CONCENTRATIONS

The Organization received 57% of revenue from one foundation and one governmental entity for 2020. The Organization received 70% of revenue from one foundation for 2019.

Note 9 RETIREMENT PLAN

The Organization sponsors a retirement plan for all employees pursuant to section 403(b) of the Internal Revenue Code. Retirement expense was $80,033 and $68,921 for 2020 and 2019, respectively.

Note 10 STRATEGIC INVESTMENTS

During 2020 and 2019, the Board of Directors approved $7,898,764 and $4,131,834 in contracts, leveraging matching grants, challenge grants, and field-building efforts to provide technical assistance. These contracts, leverage matching grants and challenge grants are recognized as the services are provided or the conditions of the leverage matching grants or challenge grants are met.

Note 11 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:

2021	$77,246
2022	79,104
2023	80,962
2024	82,820
Total	320,132
Less: present value adjustment	(3,271)
Net lease liability	$316,861

A telephone system is also rented on a month-to-month basis. Total 2020 and 2019 rent and equipment lease expenses were $149,857 and $142,553, respectively.

Note 12 CONDITIONAL GRANTS

Conditional grants are recognized as revenue as the conditions are met. The Organization was awarded a five-year conditional grant of $2.5 million in 2018. As of December 31, 2020 and 2019, $1 million and $500,000 of the grant has been recognized, respectively. The Organization was awarded a two-year conditional grant of $7.4 million in December 2019. As of December 31, 2020 and 2019, $4 million and $1,887,500 of the grant has been recognized, respectively.

Note 13 COMMITMENTS AND CONTINGENCIES

GRANT COMPLIANCE AUDITS

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, including the PPP Loan, 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.

On September 30, 2020, the Office of the Inspector General (OIG) issued an audit report on the Organization's Corporation for National and Community Service (CNCS) Social Innovation Fund Grant (ref. Report Number OIG-AR-20-07). The OIG audit report identified approximately $1.6 million in questioned costs, which includes approximately $600,000 of federal dollars and $1 million of non-federal matching dollars. $1.3 million of these questioned costs were awards to subrecipients. The remaining questioned costs relate to improper procurement practices and unsupported salary expenses and expenditures. The OIG has recommended that CNCS disallow and recover questioned costs and require the Organization to strengthen its internal controls and monitoring of contractors and subrecipients. Management of the Organization disagrees with the OIG's findings and is actively working with the CNCS to resolve the issues identified. As of the date of this report, audit resolution is still in process. 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 14 SUBSEQUENT EVENTS AND UNCERTAINTIES

Management has evaluated subsequent events through July 19, 2021, the date that the report was available to be issued.

The COVID-19 pandemic continues to cause disruptions world-wide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, on the Organization's future operations.

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