YOUTHPRISE

SCHEDULE OF FEDERAL EXPENDITURES
AND INDEPENDENT AUDITOR'S REPORTS

For The Year Ended December 31, 2020

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YOUTHPRISE
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REDPATH AND COMPANY

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
Youthprise
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youthprise (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 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 our report thereon dated July 19, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-002 through 2020-004 to be significant deficiencies.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Youthprise's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Youthprise's Response to Findings

Youthprise's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Youthprise's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Youthprise'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

July 19, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Youthprise
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Youthprise's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Youthprise's major federal programs for the year ended December 31, 2020. Youthprise's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Youthprise complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Youthprise as of and for the year ended December 31, 2020, and have issued our report thereon dated July 19, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

July 19, 2021

YOUTHPRISE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2020

Federal Funding Source/ Pass Through Agency / Program Title	Federal CFDA #	Pass Through Grantor's Number	Federal Expenditures	Pass-through to Subrecipients
U.S. Department of Agriculture:				
Received directly from federal sources:				
Community Food Projects	10.225	Not Applicable	$96,562	$ -
Passed Through State of Minnesota:				
Child and Adult Care Food Program	10.558	2MN300061	155,716	-
COVID-19 - Summer Food Service Program for Children - (Child Nutrition Cluster)	10.559	None Noted	3,225,295	-
Subtotal U.S. Department of Agriculture			3,477,573	-
U.S. Department of Justice:				
Passed Through State of Minnesota:				
Juvenile Justice and Delinquency Prevention	16.540	A-T2-2016-YTHPRS-005	72,969	65,375
U.S. Department of the Treasury:				
Passed through Minnesota Department of Public Safety:				
COVID-19 - Coronavirus Relief Fund	21.019	A-CRF-2021-YTHPRS-140	224,990	166,739
Passed through Hennepin County, Minnesota:				
COVID-19 - Coronavirus Relief Fund	21.019	None Noted	47,500	-
Passed through Ramsey County, Minnesota:				
COVID-19 - Coronavirus Relief Fund	21.019	COVID19-0043	73,576	-
Passed through City of Saint Paul:				
COVID-19 - Coronavirus Relief Fund	21.019	2795	219,669	110,187
Subtotal U.S. Department of the Treasury			565,735	276,926
U.S. Department of Health and Human Services:				
Passed through Community Action Partnership of Hennepin County:				
COVID-19 - Community Services Block Grant	93.569	None Noted	191,080	173,708
U.S. Corporation for National and Community Service:				
Received directly from federal sources:				
Social Innovation Fund	94.019	Not Applicable	334,693	174,565
Total Federal Awards			$4,642,050	$690,574

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation
The schedule of expenditures of federal awards is presented on the accrual basis of accounting. Expenditures are recognized when incurred.

Note 2. Indirect Cost Rate
Youthprise elected to use the 10% de minimis cost rate for indirect (F&A) costs.

YOUTHPRISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

A. Type of auditors' report issued: Unmodified

B. Internal control over financial reporting:

- Material weakness(es) identified? X Yes ____ No
- Significant deficiency(ies) identified? X Yes ____ No

C. Noncompliance material to financial statements noted? ____ Yes X No

Federal Awards

D. Internal control over major programs:

- Material weakness(es) identified? ____ Yes X No
- Significant deficiency(ies) identified? ____ Yes X No

E. Type of auditors' report issued on compliance for major programs: Unmodified

F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ____ Yes X No

G. Identification of major programs:

COVID-19 - Summer Food Service Program for Children - (Child Nutrition Cluster), CFDA #10.559

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

I. Auditee qualified as a low-risk auditee? ____ Yes X No

YOUTHPRISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Audit Adjustments and Year-End Closing Process

Criteria: Controls over financial information should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements in a timely manner.

Condition: Youthprise's internal controls and year-end closing process did not identify all adjustments necessary to correctly report certain accounts. Material audit adjustments made during the audit are as follows:

- Entry to recognize grant revenue and related receivable for $224,990, and record strategic investment expense and related payable for $76,739 for unrecorded activity in project 80018. This project was to cover specific program costs incurred by Youthprise through December 31, 2020.
- Entry for $212,099 to decrease cash and adjust amounts released from restrictions, due to a journal entry posting error.

Cause: Unknown.

Effect: By not having effective internal controls over financial information, there is a risk that financial statement misstatements could occur and not be detected in a timely manner.

Recommendation: We recommend Youthprise develop and implement internal controls to ensure sufficient oversight is maintained over its accounting records, including its year-end closing process.

Views of Responsible Officials and Corrective Action Plan: Youthprise will review its internal Controls to ensure sufficient oversight is maintained over its accounting records to prevent or detect and correct misstatements on a timely basis, including its internal controls over the year-end closing process.

Finding 2020-002: Internal Controls over Credit Card Transactions

Criteria: An Organization should have internal controls in place to ensure all credit card transactions are for reasonable and necessary business expenses and are supported by proper documentation. In addition, internal controls should exist to ensure an Organization's written policies and procedures are being followed.

Youthprise's policy requires all credit cards to have supporting receipts, which must show the vendor's name, a description of the services provided, the date, and total expenses. Youthprise's

travel and other expense reimbursement policy is to reimburse only for reasonable and necessary expenses, and also has a policy noting liquor or bar costs are not reimbursable.

Condition: Youthprise's internal controls were not consistently being followed during 2020. Per review of general ledger detail, it was noted that 120 credit card transactions totaling approximately $49,000 were identified as having no receipts, based on the transaction descriptions. Of these transactions, 30 were $100 or greater totaling approximately $47,000. Additionally, 21 of these transactions were for meal purchases, which either had no receipt, no itemized receipt for the purchase, or the receipt was illegible. This was substantiated by reviewing two months of credit card purchases during the audit.

During our testing of these two months, we noted 13 transactions totaling approximately $1,600 that did not have either a receipt or a documented business purpose.

Cause: Unknown.

Effect: By not having effective internal controls over credit card purchases, there is an increased risk that unreasonable, unnecessary or fraudulent credit card purchases may be incurred by Youthprise.

Recommendation: We recommend Youthprise develop and implement internal controls to ensure sufficient oversight is maintained over its credit card transactions and ensure Youthprise's internal policies and procedures are being followed.

Views of Responsible Officials and Corrective Action Plan: Youthprise will review its internal controls over credit card transactions and develop monitoring plans to ensure its internal policies and procedures are being followed.

Finding 2020-003: Segregation of Duties - Journal Entry Review and Approval

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. Documented review and approval of journal entries is a key element of internal control.

Youthprise' accounting policy states that "The Treasurer and the Chief Financial Officer review and approve journal entries made by the Controller on a quarterly basis".

Condition: During 2020, journal entries posted by the Director of Finance were not consistently reviewed and approved.

Cause: Unknown.

Effect: The lack of journal entry review and approval subjects Youthprise to a higher risk that errors or fraud would not be detected in a timely manner. As noted in Finding 2020-001 above, there was one material audit adjustment needed due to a journal entry posting error, affecting cash and release of restrictions.

Recommendation: We recommend that Youthprise review and update its accounting policies as determined necessary, and to segregate duties as best it can within the limits of what Youthprise considers to be cost beneficial. In addition, Youthprise' Board should remain aware of this situation, as their oversight is one compensating control.

Views of Responsible Officials and Corrective Action Plan: Youthprise will review its internal controls over its journal entry process to ensure there is an adequate segregation of duties over all journal entries posted.

Finding 2020-004: Internal Control over Bank Reconciliations

Criteria: Monthly bank reconciliation is a key internal control and even minor differences should be investigated monthly. Cash and investment activity in all accounts should be tracked and reconciled throughout the year to Youthprise's accounting records.

Condition: Bank reconciliations were not consistently prepared and reviewed on a timely basis to ensure all cash activity was reconciled between the bank statements and the general ledger. Additionally, there were several non-cash journal entries posted to cash accounts and listed as 'outstanding transactions' as of year-end.

Cause: Unknown.

Effect: By not having effective internal controls over the bank reconciliation process, there is a higher risk that errors or fraud would not be detected in a timely manner.

Recommendation: We recommend Youthprise develop and implement internal controls over its month end close process to ensure all cash and investment balances are reconciled and reviewed monthly and that all unreconciled adjustments are addressed timely.

Views of Responsible Officials and Corrective Action Plan: Youthprise will review its internal controls over its bank reconciliation process to ensure all cash activity is reconciled between the bank statements and accounting records on a monthly basis.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

YOUTHPRISE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended December 31, 2020

FOLLOW-UP ON PRIOR YEAR FINDINGS

FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Material Audit Adjustment – Revenue Recognition

Condition: Youthprise's internal controls over revenue recognition did not identify all adjustments necessary to correctly report certain transactions. There was one material adjustment for $1,887,500 to record additional grant revenue and a receivable for Youthprise' 2020-2021 McKnight grant.

Recommendation: We recommend Youthprise develop and implement internal controls to ensure oversight is maintained over its revenue recognition review process to ensure amounts are recorded in the proper period.

Status: Unresolved; see Finding No. 2020-001 for a continuation of this finding related to material audit adjustments and year-end closing process.

Finding 2019-002: Internal Controls over Credit Card Transactions

Condition: Youthprise's internal controls were not consistently being followed during 2019. During our testing of credit card purchases, it was noted that 72 credit card transactions totaling approximately $18,400 did not have adequate supporting receipts, based on the transaction descriptions within the general ledger detail. Of these transactions, 23 were $100 or greater totaling approximately $16,800. Additionally, 32 of these transactions were local meal purchases which either had no receipt or no itemized receipt for the purchase, and two instances had 'drinks' included in the description. This was substantiated by reviewing two months of credit card purchases during the audit.

Recommendation: We recommend Youthprise develop and implement internal controls to ensure sufficient oversight is maintained over its credit card transactions and ensure Youthprise's internal policies and procedures are being followed.

Status: Unresolved; see Finding No. 2020-002 for a continuation of this finding.

FEDERAL AWARD FINDINGS

None.

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