

**YOUTHPRISE**

**SCHEDULE OF FEDERAL EXPENDITURES  
AND INDEPENDENT AUDITOR'S REPORTS**

For The Year Ended December 31, 2018

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**YOUTHPRISE**  
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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, 2018 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 April 9, 2019.

**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.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **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*.

### **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.  
St. Paul, Minnesota

April 9, 2019



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, 2018. 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 statutes, 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 Youthprise'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, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

### **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 Youthprise'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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

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, 2018, and have issued our report thereon dated April 9, 2019, 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.  
St. Paul, Minnesota

April 9, 2019

**YOUTHPRISE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended December 31, 2018**

Federal Funding Source/ Pass Through Agency / Program Title	Federal CFDA #	Pass Through Grantor's Number	Federal Expenditures	Pass-through to Subrecipients
<b>U.S. Department of Agriculture:</b>				
Received directly from federal sources:				
Community Food Projects	10.225	Not Applicable	\$112,136	\$ -
Passed Through State of Minnesota:				
Child and Adult Care Food Program	10.558	2MN300061	303,326	-
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	None noted	272,191	-
Subtotal - U.S. Department of Agriculture			<u>687,653</u>	<u>-</u>
<b>U.S. Corporation for National and Community Service:</b>				
Received directly from federal sources:				
Social Innovation Fund	94.019	Not Applicable	853,937	680,769
Subtotal - U.S. Corporation for National and Community Service			<u>853,937</u>	<u>680,769</u>
Total Federal Awards			<u>\$1,541,590</u>	<u>\$680,769</u>

*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.*

*Youthprise elected to use the 10% de minimis cost rate for indirect (F&A) costs.*

**YOUTHRISE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2018

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<b>SECTION I - SUMMARY OF AUDIT RESULTS</b>
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Financial Statements

- |  |       |            |       |      |
|--|-------|------------|-------|------|
| A. Type of auditors' report issued:                      |       | Unmodified |       |      |
| B. Internal control over financial reporting:            |       |            |       |      |
| • Material weakness(es) identified?                      | _____ | Yes        | _____ | X No |
| • Significant deficiency(ies) identified?                | _____ | Yes        | _____ | X 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?   | _____ | X Yes | _____ | 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:  |       |       |       |            |
| Social Innovation Fund, CFDA #94.019  |       |       |       |            |
| 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, 2018

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2018-001 – Subrecipient Monitoring**  
**Social Innovation Fund, CFDA No. 94.019**

*Criteria:* The Uniform Guidance requires program participants who are pass-through entities (PTE) to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

*Condition:* According to a preliminary report provided by the Office of Inspector General (OIG), Youthprise had inadequate internal controls in place over its subrecipient monitoring to ensure that the subawards were used for authorized purposes and complied with the terms and conditions of the subaward.

*Questioned Costs:* \$0

*Context:* During 2018, the OIG performed program audits at Youthprise and all of the subrecipients for the Social Innovation Fund grant. This audit is still in process and no final report has been issued to date. The OIG has claimed Youthprise had inadequate internal controls over its subrecipient monitoring and inadequate contract management files were kept at Youthprise. This is supported by issues noted during OIG's audits of subrecipients, including issues with ineligible matches, inadequate timekeeping systems, lack of adequate federal grant policies, unsupported background checks – compliance, and other internal control deficiencies at Youthprise's subrecipients.

**YOUTHPRISE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2018

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*Cause:* Subrecipient monitoring performed by Youthprise was based on training and a checklist guide provided by the awarding agency, CNCS. Although subrecipient internal controls were in place, they were inadequate to identify internal control deficiencies and noncompliance found during OIG's audits of the subrecipients. OIG has claimed the monitoring performed was inadequate as findings noted by the OIG during its audits of all subrecipients.

*Effect:* The findings noted by the OIG during its audits of Youthprise's subrecipients resulted in noncompliance over subrecipient monitoring by Youthprise.

*Repeat Finding of Immediate Prior Audit:* No

*Recommendation:* Once the OIG has finalized its report, we recommend Youthprise implement corrective action plans to address any recommendations or requirements of the OIG.

*Views of Responsible Officials and Planned Corrective Actions:* Management is in the process of issuing management decisions for audit findings pertaining to the Social Innovation Fund subrecipient audits performed by the OIG, and is following-up with all subrecipients to ensure timely and appropriate actions are made on all deficiencies noted. Additional details can be found in Youthprise's Corrective Action Plan.

**YOUTHPRISE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For The Year Ended December 31, 2018

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<b>FOLLOW-UP ON PRIOR YEAR FINDINGS</b>
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**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS**

None.