

**YOUTHRISE**

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

For The Year Ended December 31, 2019

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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, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2020.

**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 did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

*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 2019-001 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

### **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.  
St. Paul, Minnesota

June 3, 2020



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, 2019. 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, 2019.

### **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. 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, 2019, and have issued our report thereon dated June 3, 2020, 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

June 3, 2020

**YOUTHPRISE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Year Ended December 31, 2019

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	\$69,092	\$ -
Passed Through State of Minnesota:				
Child and Adult Care Food Program	10.558	2MN300061	313,993	-
Summer Food Service Program for Children (Child Nutrition Cluster	10.559	None noted	<u>352,377</u>	<u>-</u>
Subtotal - U.S. Department of Agriculture			<u>735,462</u>	<u>-</u>
<b>U.S. Department of Justice:</b>				
Passed Through State of Minnesota:				
Juvenile Justice and Delinquency Prevention	16.540	A-T2-2016-YTHPRS-005	<u>24,388</u>	<u>20,531</u>
Subtotal U.S. Department of Justice			<u>24,388</u>	<u>20,531</u>
<b>U.S. Corporation for National and Community Service:</b>				
Received directly from federal sources:				
Social Innovation Fund	94.019	Not Applicable	<u>257,221</u>	<u>148,552</u>
Subtotal - U.S. Corporation for National and Community Service			<u>257,221</u>	<u>148,552</u>
Total Federal Awards			<u>\$1,017,071</u>	<u>\$169,083</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.*

*Note 2. Indirect Cost Rate*

*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, 2019

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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?                      | <u>  X  </u>  | Yes        | <u>      </u> | No |
| • Significant deficiency(ies) identified?                | <u>  X  </u>  | Yes        | <u>      </u> | No |
| C. Noncompliance material to financial statements noted? | <u>      </u> | Yes        | <u>  X  </u>  | No |

Federal Awards

- |   |               |     |               |            |
|---|---------------|-----|---------------|------------|
| D. Internal control over major programs:  |               |     |               |            |
| • Material weakness(es) identified?   | <u>      </u> | Yes | <u>  X  </u>  | No         |
| • Significant deficiency(ies) identified?   | <u>      </u> | Yes | <u>  X  </u>  | 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)? | <u>      </u> | Yes | <u>  X  </u>  | No         |
| G. Identification of major programs:  |               |     |               |            |
| 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?   | <u>  X  </u>  | Yes | <u>      </u> | No         |

**YOUTHPRISE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2019

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001: Material Audit Adjustment – Revenue Recognition**

*Criteria:* An Organization should have internal controls in place to ensure all amounts are recorded in the proper period.

*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.

On December 17, 2019, Youthprise received notification of a \$7.4 million grant from McKnight for 2020-2021. \$1,887,500 of this grant had no barriers to revenue recognition, and therefore this amount should have been recognized as revenue and a receivable upon notification of the grant award.

*Cause:* Unknown.

*Effect:* By not having effective revenue recognition review controls, there is an increased risk that financial statement misstatements could occur and not be detected in a timely basis.

*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.

*Views of Responsible Officials and Corrective Action Plan:* Youthprise will review its internal controls over revenue recognition of grants to ensure all grant related revenue is recorded in the proper period.

**Finding 2019-002: 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 2019. During our testing of credit card purchases, it was noted that 72 credit card transactions totaling

**YOUTHPRISE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For The Year Ended December 31, 2019

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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.

During our testing of these two months, we noted three transactions totaling approximately \$200 that were outside typical working hours (such as weekends) that didn't have a clear business purpose stated in the supporting documentation provided. Additionally, there were five transactions totaling approximately \$770 that were for personal purchases accidentally made on the Youthprise's credit card.

*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.

<b>SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>
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None.

**YOUTHPRISE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For The Year Ended December 31, 2019

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

None.

**FEDERAL AWARD FINDINGS**

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

*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.

*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 has issued decisions for audit findings pertaining to the Social Innovation Fund subrecipient audits performed by the OIG, and has followed-up with all subrecipients to ensure timely and appropriate actions are made on all deficiencies noted.

*Status of Prior Year Audit Finding:* The finalized OIG report has not been issued or received by Youthprise as of the date of this report. Therefore, this finding is still open pending receipt of final recommendations and requirements of the OIG.