

YOUTHPRISE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For The Years Ended
December 31, 2021 and 2020

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YOUTHPRISE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youthprise
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of Youthprise (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youthprise as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youthprise and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youthprise's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

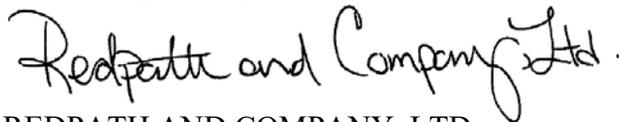
In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youthprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youthprise's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2022 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.
St. Paul, Minnesota

August 24, 2022

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FINANCIAL STATEMENTS

YOUTHPRISE
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

Statement 1

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	\$8,758,720	\$4,176,326
Contributions and grants receivable	3,598,630	1,801,449
Other receivables	43,000	-
Inventory	23,173	77,734
Prepaid expenses	47,190	57,136
Right-of-use asset - operating lease, current portion	69,730	68,088
Total current assets	<u>12,540,443</u>	<u>6,180,733</u>
Security deposits	9,200	9,200
Long-term contributions and grants receivable, net of discount	94,182	20,931
Right-of-use asset - operating lease, net of current portion	157,105	226,836
Fixed assets, net	<u>48,284</u>	<u>69,184</u>
Total assets	<u><u>\$12,849,214</u></u>	<u><u>\$6,506,884</u></u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$87,732	\$426,631
Grants payable	1,456,737	596,241
Accrued liabilities	287,897	151,871
Deferred revenue	85,409	13,497
Refundable advance	800,000	-
Fiscal agency obligation	825,623	347,768
Lease liability - operating lease, current portion	73,943	70,442
Total current liabilities	<u>3,617,341</u>	<u>1,606,450</u>
Noncurrent liabilities:		
Refundable advance - PPP loan	-	308,900
Lease liability - operating lease, net of current portion	172,477	246,419
Total noncurrent liabilities	<u>172,477</u>	<u>555,319</u>
Total liabilities	<u>3,789,818</u>	<u>2,161,769</u>
Net assets:		
Without donor restrictions:		
Undesignated	2,046,075	1,200,406
Designated by the Board for working capital reserve	1,000,000	1,000,000
Total without donor restrictions	<u>3,046,075</u>	<u>2,200,406</u>
With donor restrictions	<u>6,013,321</u>	<u>2,144,709</u>
Total net assets	<u>9,059,396</u>	<u>4,345,115</u>
Total liabilities and net assets	<u><u>\$12,849,214</u></u>	<u><u>\$6,506,884</u></u>

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

YOUTHPRISE

STATEMENTS OF ACTIVITIES

For The Years Ended December 31, 2021 and 2020

Statement 2

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Contributions and grants	\$5,705,791	\$8,847,369	\$14,553,160	\$6,434,511	\$3,666,763	\$10,101,274
Contract fee for service	140,042	-	140,042	110,702	-	110,702
Interest income	11,846	-	11,846	25,317	-	25,317
Miscellaneous income	29,301	-	29,301	9,795	-	9,795
Net support and revenue	5,886,980	8,847,369	14,734,349	6,580,325	3,666,763	10,247,088
Net assets released from restriction	4,978,757	(4,978,757)	-	4,846,792	(4,846,792)	-
Total support and revenues	10,865,737	3,868,612	14,734,349	11,427,117	(1,180,029)	10,247,088
Expenses:						
Program services	8,607,760	-	8,607,760	9,719,563	-	9,719,563
Supportive services:						
Management and general	847,155	-	847,155	718,641	-	718,641
Fundraising	565,153	-	565,153	554,331	-	554,331
Total expenses	10,020,068	0	10,020,068	10,992,535	0	10,992,535
Change in net assets	845,669	3,868,612	4,714,281	434,582	(1,180,029)	(745,447)
Net assets - beginning of year	2,200,406	2,144,709	4,345,115	1,765,824	3,324,738	5,090,562
Net assets - end of year	\$3,046,075	\$6,013,321	\$9,059,396	\$2,200,406	\$2,144,709	\$4,345,115

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

YOUTHPRISE
STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended December 31, 2021 and 2020

Statement 3

	2021			Total
	Program Services	Supporting Services		
		Management and General	Fundraising	
Expenses:				
Strategic investments	\$6,609,706	\$ -	\$ -	\$6,609,706
Salaries	1,240,952	370,318	287,556	1,898,826
Benefits and payroll taxes	351,116	86,124	59,026	496,266
Fees for services (non-employees):				
Management	-	46,238	-	46,238
Legal	40,000	21,504	-	61,504
Audit	-	24,700	-	24,700
Administrative support	-	22,850	-	22,850
Research	20,690	-	-	20,690
Evaluation	5,200	-	-	5,200
Fundraising	20	-	182,460	182,480
Other	147,121	7,807	10,880	165,808
Office expenses	86,943	18,648	6,741	112,332
Information technology	68,877	52,099	8,275	129,251
Occupancy	14,654	143,997	1,661	160,312
Travel	6,152	2,115	436	8,703
Depreciation	-	20,900	-	20,900
Insurance and other expenses	16,329	29,855	8,118	54,302
Total expenses	\$8,607,760	\$847,155	\$565,153	\$10,020,068
	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

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

YOUTHPRISE**STATEMENTS OF CASH FLOWS**

For The Years Ended December 31, 2021 and 2020

Statement 4

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$4,714,281	(\$745,447)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,900	21,089
Amortization of lease asset and liability	74,582	74,582
Payments made on lease liability	(76,934)	(75,078)
Changes in assets and liabilities:		
(Increase) decrease in contributions and grants receivable	(1,870,432)	938,348
(Increase) decrease in other accounts receivable	(43,000)	-
(Increase) decrease in inventory	54,561	(77,734)
(Increase) decrease in prepaid expenses	9,946	(7,754)
Increase (decrease) in accounts payable	(338,899)	340,301
Increase (decrease) in grants payable	860,496	(721,627)
Increase (decrease) in accrued liabilities	136,026	11,647
Increase (decrease) in deferred revenue	71,912	(13,495)
Increase (decrease) in refundable advance	800,000	-
Increase (decrease) in fiscal agency obligation	477,855	(353,391)
Increase (decrease) in refundable advance - PPP loan	(308,900)	308,900
Net cash provided (used) by operating activities	<u>4,582,394</u>	<u>(299,659)</u>
Net increase (decrease) in cash and cash equivalents	4,582,394	(299,659)
Cash and cash equivalents - beginning of year	<u>4,176,326</u>	<u>4,475,985</u>
Cash and cash equivalents - end of year	<u><u>\$8,758,720</u></u>	<u><u>\$4,176,326</u></u>

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

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YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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 2021 our Minnesota Afterschool Advance (MAA) program continued its strong growth as it responded to the educational impacts of the COVID-19 pandemic. After pivoting to offering primarily Chromebooks in 2020, MAA returned to its original focus of helping low-income families pay for afterschool programming in 2021. The MAA program paid for 21,198 hours of afterschool programming, the vast majority of which was tutoring, for students in 140 cities across Minnesota. In 2021, Youthprise invested \$1,581,381 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 2021, 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 2021, Youthprise invested \$780,900 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 2021, Youthprise supported 46 Nutrition sites across the Twin Cities and served over 1,113,208 meals and snacks to a approximately 6,200 youth 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 2021, Youthprise invested \$4,232,896 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.

YOUTHPRISE

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

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 \$825,623 and \$347,768 as of December 31, 2021 and 2020, respectively.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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. Management provides for uncollectible amounts through an allowance for bad debts based on its assessment of the current status of individual account balances that are still outstanding. Once a receivable balance is determined to be uncollectible, the receivable balance is written-off through a charge to the provision for bad debts. There was no allowance for uncollectible accounts as of December 31, 2021 and 2020. 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 2021.

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.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

Note 2 LIQUIDITY AND AVAILABILITY

At December 31, 2021, the Organization has \$5,655,588 of financial assets available within one year to meet cash needs for general expenditure consisting of cash of \$4,476,023, contributions and grants receivable of \$1,136,565 and accounts receivable of \$43,000. \$6,838,944 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, the Organization had \$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, 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$3,598,630	\$1,801,449
One to five years	94,435	22,369
Less: present value discount	<u>(253)</u>	<u>(1,438)</u>
Total contributions and grants receivable	<u>\$3,692,812</u>	<u>\$1,822,380</u>

A discount rate of approximately 3.6% was used as of December 31, 2021 and 2020. As of December 31, 2021, approximately 67% of contributions receivable was from one grantor. As of December 31, 2020, approximately 74% of contributions receivable was from four grantors.

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

Note 4 **FIXED ASSETS**

Fixed assets at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$35,398	\$35,398
Furniture	180,362	180,362
Equipment and software	<u>204,267</u>	<u>204,267</u>
Total	420,027	420,027
Less: accumulated depreciation	<u>(371,743)</u>	<u>(350,843)</u>
Net fixed assets	<u><u>\$48,284</u></u>	<u><u>\$69,184</u></u>

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 Organization elected to account for this loan as a conditional contribution under FASB ASC 958-605 and recognized the full amount as revenue in fiscal year 2021, upon receiving notification of full forgiveness by the SBA, which occurred on April 26, 2021. Loan forgiveness is subject to a six-year audit period.

Note 6 **NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Restricted for purpose:		
Program and administration support	\$3,811,210	\$1,175,021
Nutrition program	419,810	411,866
COVID-19 community support	126,620	95,000
Opportunity reboot	85,000	113,307
Everybody's In	61,394	68,759
Youth participatory action research	29,776	54,342
Youth sports	-	36,800
Accelerator Initiative	-	14,493
Minnesota Afterschool Advance	741,978	10,000
Other	<u>460,624</u>	<u>15,121</u>
Total restricted for purpose	5,736,412	1,994,709
Restricted for time	<u>276,909</u>	<u>150,000</u>
Total net assets with donor restrictions	<u><u>\$6,013,321</u></u>	<u><u>\$2,144,709</u></u>

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

YOUTHPRISE
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

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 \$14,528 and \$56,905 of donated goods and services for 2021 and 2020, respectively.

Note 8 REVENUE CONCENTRATIONS

The Organization received 65% of revenue from one foundation and one governmental entity for 2021. The Organization received 57% of revenue from one foundation and one governmental entity for 2020.

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 \$92,332 and \$80,745 for 2021 and 2020, respectively.

Note 10 STRATEGIC INVESTMENTS

During 2021 and 2020, the Board of Directors approved \$6,609,706 and \$7,898,764 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.

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

2022	\$79,104
2023	80,962
2024	<u>82,820</u>
Total	242,886
Present value adjustment	<u>3,534</u>
Net lease liability	<u><u>\$246,420</u></u>

A telephone system is also rented on a month-to-month basis. Total 2021 and 2020 rent and equipment lease expenses were \$160,312 and \$149,857, respectively.

Note 12 **CONDITIONAL GRANTS**

Conditional grants are recognized as revenue as the conditions are met. Conditional grants awarded to the Organization at December 31 are as follows:

- A five-year conditional grant of \$2,000,000 was awarded in 2019. As of December 31, 2021 and 2020, \$0 of grant revenue has been recognized. Revenue will be recognized as the Organization incurs qualifying expenditures and required reports are submitted in accordance with the grant agreement.
- A three-year conditional grant of approximately \$1,000,000 was awarded in 2020. As of December 31, 2021 and 2020, approximately \$271,000 and \$0 of grant revenue has been recognized, respectively. Remaining revenue will be recognized as the Organization incurs qualifying expenditures and required reports are submitted in accordance with the grant agreement.
- A two-year conditional grant of \$250,000 was awarded in 2021. As of December 31, 2021 \$125,000 of grant revenue has been recognized. Remaining revenue will be recognized once the Organization receives annual approval by the Grantor’s governance committee.

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.

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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 \$1,000,000 of non-federal matching dollars. \$1,300,000 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

Management has evaluated subsequent events through August 24, 2022, the date that the report was available to be issued.

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