

Los Angeles Youth Network
(doing business as “Youth Emerging Stronger”)
(a California public benefit charitable corporation)

Financial Statements and Independent Auditors’ Report

June 30, 2021 and 2020



TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3 – 4
Statements of Financial Position	5
Statements of Financial Activities and Changes in Net Assets	6
Statements of Cash Flow	7
Statements of Functional Expenses	8
Notes to the Financial Statements	9 – 17



INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Los Angeles Youth Network (doing business as "Youth Emerging Stronger")

Opinion

We have audited the accompanying statements of financial position of Los Angeles Youth Network (doing business as "Youth Emerging Stronger") (a California public benefit charitable corporation) (the "Organization") as of June 30, 2021 and 2020, and the related statements of financial activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Los Angeles Youth Network as of June 30, 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). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued

INDEPENDENT AUDITORS' REPORT (Continued)

Auditor's Responsibilities for the Audit of the 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 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, 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 the Organization'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 the Organization'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.

MJF & Associates, APC

Los Angeles, California
December 10, 2021

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Statements of Financial Position
As of June 30, 2021 and 2020

ASSETS	June 30, 2021	June 30, 2020
CURRENT ASSETS:		
Cash (Note 9)	\$ 816,276	\$ 876,925
Accounts receivable, grants	471,085	308,947
Prepaid expenses and other assets	18,458	24,558
Total Current Assets	1,305,819	1,210,430
DEPOSITS	10,550	14,450
PROPERTY AND EQUIPMENT, NET (Note 4)	2,918,969	2,987,179
TOTAL ASSETS	\$ 4,235,338	\$ 4,212,059
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Mortgage notes and capital lease payables, current portion (Note 7)	\$ 69,376	\$ 69,129
Accounts payable	29,714	32,954
Accrued compensation and vacation	148,036	143,946
Accrued Liabilities	26,646	25,636
Agency payable to HHYP (Note 2)	168,964	165,138
Accrued interest payable	1,409	1,409
Total Current Liabilities	444,145	438,212
NOTES PAYABLE (Note 7)	1,196,505	1,223,911
MORTGAGE NOTES PAYABLE, long term portion (Note 7)	699,602	737,381
Total Liabilities	2,340,252	2,399,504
NET ASSETS:		
Net assets with donor restrictions (Note 2)	108,972	150,000
Net assets without donor restrictions (Note 2)	1,786,114	1,662,555
Total Net Assets	1,895,086	1,812,555
TOTAL LIABILITIES AND NET ASSETS	\$ 4,235,338	\$ 4,212,059

**Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Statements of Financial Activities and Changes in Net Assets
For The Years Ended June 30, 2021 and 2020**

	June 30, 2021	June 30, 2020
REVENUES WITHOUT DONOR RESTRICTIONS		
Federal awards	\$ 484,726	\$ 873,915
Private foundation grants (Note 2)	1,517,878	1,393,258
Local government contracts	874,822	1,059,305
Individual contributions	150,733	75,145
Fundraising events	26,794	128,443
Other income	-	12,920
Total revenues without donor restrictions	\$ 3,054,953	\$ 3,542,986
Change in net assets with donor restrictions:		
Satisfaction of program restrictions (Note 2)	282,028	544,448
Decrease in net assets with donor restrictions (Note 2)	(241,000)	(576,447)
Net change in net assets with donor restrictions	41,028	(31,999)
Total revenues	\$ 3,095,981	\$ 3,510,987
EXPENSES:		
Programs:		
Emergency Shelter	\$ 1,001,185	\$ 788,236
Group Home	-	566,754
Transitional Living	1,375,123	1,582,102
Total programs	2,376,308	2,937,092
General and administrative	298,037	364,685
Fundraising	298,077	266,129
Total expenses	2,972,422	3,567,906
Change in unrestricted net assets	\$ 123,559	\$ (56,919)
Change in net assets with donor restrictions		
Net assets released from restrictions (Note 2)	\$ (282,028)	\$ (544,448)
Increase in net assets with donor restrictions (Note 2)	241,000	576,447
Net increase (decrease) in net assets with donor restrictions	(41,028)	31,999
Change in net assets	\$ 82,531	\$ (24,920)
Net assets at beginning of year	\$ 1,812,555	\$ 1,837,475
Net assets at end of year (Note 2)	\$ 1,895,086	\$ 1,812,555

**Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Statements of Cash Flow
For The Years Ended June 30, 2021 and 2020**

	June 30, 2021	June 30, 2020
Cash flows from operating activities:		
Increase (Decrease) in net assets (Note 2)	\$ 82,531	\$ (24,922)
<i>Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:</i>		
Depreciation	68,210	68,962
Disposal of property plant and equipment	-	(12,992)
<i>Decrease (Increase) in:</i>		
Accounts receivable	(162,138)	103,271
Prepaid expenses and other assets	6,100	(99)
Deposits	3,900	3,900
<i>(Decrease) Increase in:</i>		
Accounts payable	(3,240)	(163,930)
Agency payables (Note 2)	3,826	2,665
Accrued compensation and vacation	4,090	(35,233)
Accrued liabilities	1,010	(13,489)
Deferred Revenue	-	(25,160)
Accrued interest	-	(28)
Net cash provided by (used in) operating activities	4,289	(97,055)
Cash flows from investing activities:		
Purchases of property plant and equipment	-	(18,616)
Sale of property plant and equipment	-	12,920
Net cash used in investing activities	-	(5,696)
Cash flows from financing activities:		
Payments on mortgages	(64,938)	(61,446)
Net cash used in financing activities	(64,938)	(61,446)
Net decrease in cash	\$ (60,649)	\$ (164,197)
Beginning cash balance	\$ 876,925	\$ 1,041,122
Ending cash balance	\$ 816,276	\$ 876,925
Supplemental cash flow information:		
Interest paid during the year	\$ 98,330	\$ 101,823

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Statements of Functional Expenses
For The Years Ended June 30, 2021 and 2020

Year Ended June 30, 2021	Program Services Expenses			Total Program Services	Management and Administrative Expenses	Fundraising Expenses	Total Expenses
	Transitional Living	Emergency Shelter	Group Home				
Salaries and benefits	\$ 804,216	\$ 863,234	\$ -	\$ 1,667,450	\$ 90,431	\$ 255,957	\$ 2,013,838
Auto	10,617	3,140	-	13,757	1,675	-	15,432
Bad debts	-	7,787	-	7,787	-	-	7,787
Consultants	23,723	10,844	-	34,567	49,778	17,889	102,234
Depreciation	25,840	16,761	-	42,601	25,609	-	68,210
Direct youth expenses	48,665	2,022	-	50,687	-	-	50,687
Equipment rental	6,047	3,262	-	9,309	608	-	9,917
Food	52,536	16,286	-	68,822	1,482	-	70,304
Insurance	31,214	17,946	-	49,160	5,800	4,728	59,688
Maintenance	39,896	15,586	-	55,482	1,587	1,058	58,127
Mortgage interest	98,330	-	-	98,330	-	-	98,330
Office and other	17,787	8,456	-	26,243	24,475	6,190	56,908
Professional fees	-	-	-	-	51,907	-	51,907
Rent	151,764	17,127	-	168,891	27,127	7,821	203,839
Seminars and travel	900	-	-	900	143	99	1,142
Telephone and utilities	63,588	18,734	-	82,322	17,415	4,335	104,072
Total Expenses	\$ 1,375,123	\$ 1,001,185	\$ -	\$ 2,376,308	\$ 298,037	\$ 298,077	\$ 2,972,422

Year Ended June 30, 2020	Program Services Expenses			Total Program Services	Management and Administrative Expenses	Fundraising Expenses	Total Expenses
	Transitional Living	Emergency Shelter	Group Home				
Salaries and benefits	\$ 1,028,741	\$ 605,476	\$ 407,997	\$ 2,042,214	\$ 76,633	\$ 246,247	\$ 2,365,094
Auto	11,068	2,324	4,463	17,855	1,781	-	19,636
Bad debts	-	-	-	-	13,288	-	13,288
Consultants	17,125	10,517	11,871	39,513	52,645	8,983	101,141
Depreciation	23,543	16,761	7,709	48,013	20,949	-	68,962
Direct youth expenses	44,360	15,966	10,408	70,734	-	-	70,734
Equipment rental	11,895	14,675	8,114	34,684	385	-	35,069
Food	58,215	30,324	42,157	130,696	9,079	82	139,857
Insurance	31,385	23,626	3,935	58,946	929	4,828	64,703
Maintenance	27,783	19,176	10,288	57,247	8,839	-	66,086
Mortgage interest	80,068	-	21,726	101,794	-	-	101,794
Office and other	11,285	7,434	4,352	23,071	35,836	5,678	64,585
Professional fees	-	-	-	-	39,150	-	39,150
Rent	182,532	21,600	20,550	224,682	65,108	(2)	289,788
Seminars and travel	4,140	126	-	4,266	2,355	55	6,676
Telephone and utilities	49,962	20,231	13,184	83,377	37,708	258	121,343
Total Expenses	\$ 1,582,102	\$ 788,236	\$ 566,754	\$ 2,937,092	\$ 364,685	\$ 266,129	\$ 3,567,906

**Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020**

NOTE 1 - ORGANIZATION OVERVIEW

The Los Angeles Youth Network (doing business as “Youth Emerging Stronger”) (the “Organization” or “YES”) is a California public benefit charitable corporation organized to empower young people, between the ages of 12 and 24 within Los Angeles County, including but not limited to run-away and homeless youth. The Organization’s mission is to end homelessness one youth at a time by providing shelter, food, and counseling for the abused, neglected, and abandoned. The Organization is a tax exempt organization per the United States of America’s Internal Revenue Code (IRC) 501(c)3.

For more than 35 years, YES has been helping homeless get off the streets and into a safe environment. The Organization serves youth, families, and the community. For many of the youth they serve, YES is the only home the youth know. Their ongoing programs provide services every day of the year including all holidays. Without the shelter and support services provided by YES, many of the youth they serve would remain on the streets, vulnerable and alone.

In September 2019, the Organization decided to terminate the Short Term Residential Therapeutic Program (STRTP). The Organization’s board of directors and management took into consideration the operating and financial feasibility. In addition, the Organization determined the program structure of the STRTP worked against the best practices the Organization had built and demonstrated over decades of service. Following the closure of the STRTP, the Organization grew its private funding base to compensate for the reduction of federal funds applied to the STRTP and to bolster revenues applied to programming for non-system homeless youth.

On January 30, 2020, the World Health Organization declared the Coronavirus outbreak (COVID-19). A “PUBLIC Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 may have affected the Organization’s operations, donors, suppliers, vendors, and other stakeholders. The extent to which the pandemic impacts the Organization’s activities and results in fiscal year 2022 and beyond will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus and its impact.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“US GAAP”).

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant accounting estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. These accounting estimates include valuation of accounts receivable, lives used to depreciate fixed assets, deferred revenues, allocation of certain functional expenses, identification and valuation of temporarily or permanently restricted net assets, and value of in-kind donations. Actual results could differ from these estimates and assumptions.

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization’s cash equivalents may be comprised of investments in overnight interest-bearing deposits, commercial paper and money market instruments and other short-term investments with original maturity dates of three months or less at the time of purchase. The Organization maintains cash and cash equivalent balances at multiple reputable financial institutions.

Fair Value of Financial Instruments

The carrying amounts of the Organization’s financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short maturities.

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for a probable uncollectible amount through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Accounts are considered past due when payment has not been received by the due date as stated on the invoice. No allowance for doubtful accounts was deemed necessary as of June 30, 2021 and 2021.

Property and Equipment

The Organization capitalizes significant expenditures for property and equipment at cost or fair market value at the date of the contribution. The Organization capitalizes as fixed assets property and equipment having an estimated useful life of more than two years, and an acquisition cost of \$5,000 or more. The Organization uses the straight-line method over the estimated useful lives of the assets to depreciate its property and equipment, including building improvements, which range from five to fifty years (building). Depreciation expense for the years ended June 30, 2021 and 2020 was \$68,210 and \$68,962, respectively.

Expenditures for major renewals and betterments are capitalized, while minor replacements, repairs, and maintenance, which do not extend the useful lives of the related assets, are expensed as incurred. Upon sale or disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of long-lived assets are reported as revenues of the unrestricted net asset class. Donated fixed assets are recorded at fair market value at the date of receipt. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset class. Restrictions are considered to be released at the time of acquisition of such long-lived assets.

Long-lived Assets

The Organization evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment was deemed necessary during the years ended June 30, 2021 and 2020.

Allocation of Functional Expenses

Expenses are classified by function when the expense is incurred. Such classifications require the use of management judgment.

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Expenses

As daily business costs are incurred by the Organization, amounts are recorded as accrued expenses. Once applicable vendor invoices are received by the Organization, amounts are transferred to accounts payable.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be need to be maintained in perpetuity.

Earnings related to net assets with donor restrictions will be included in net assets without donor-restrictions unless otherwise unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Revenue Recognition and Deferred Revenue

A substantial portion of the Organization’s revenue and support is from reimbursement-type grants. Such grants are received from federal, state and municipal governmental agencies which may be funded by federal funds. The Organization also receives grants from private and public foundations as well as individual donors.

Revenues from reimbursement-type grants are recognized at the time the underlying program costs are incurred and to the extent they are not in excess of the grant limitations. Revenues from attendance based grants and contracts are recognized as services are rendered and when contractual terms are met. Grant revenues received in advance are deferred and recognized when earned. All other grants and donations are recognized at the net realizable value at the time the rights to such revenues becomes unconditional and services are rendered.

Concentration Risks

The Federal Deposit Insurance Corporation (“FDIC”) insures accounts at financial institutions up to \$250,000. Accounts held at a financial institution exceeded the federally insured limit by \$9,414 and \$9,055 as of June 30, 2021 and 2020, respectively. The Organization did not experience any losses related to uninsured amounts during 2021 and 2020. The Organization routinely evaluates the credit worthiness of the institutions with which it deposits funds.

Donated Services

No amounts have been reflected in the financial statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization’s operations.

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Deposits

Restricted deposits included in cash are with donor restricted contributions as further described in Note 10.

Contributions

The Organization accounts for contributions received and contributions made as follows: contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions depending on the existence and/or nature of any donor restrictions. As such, time-restricted contributions are required to be reported as contributions with donor restrictions and are then reclassified to contributions without donor restrictions upon expiration of the time restriction. All contributions are considered to be available for without donor restriction use unless specifically restricted by the donor. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Organization reports both the revenue and the related expense in the without donor restriction net asset class.

Adoption of Accounting Pronouncement

On July 1, 2019, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents (Cash) in the statement of cash flows. The ASU requires restricted cash and cash equivalents to be included in beginning and ending cash in the statement of cash flows. The ASU does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities. The adoption of this standard had no significant impact on the financial statements.

On July 1 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no significant impact on the financial statements.

On July 1 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, as it related to resource recipients. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Adoption of this standard had no significant impact on the financial statements.

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This ASU supersedes Topic 840, *Leases*. Lessees will now be required to recognize lease assets & lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization’s 2023 financial statements. Early adoption is permitted. The Organization is currently evaluating the impact of this ASU.

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for the Organization’s fiscal year 2022 financial statements. Early adoption is permitted. The Organization is currently evaluating the impact of this ASU.

NOTE 3 – INCOME TAXES

The Organization has been classified as a public benefit charitable corporation and not a private foundation, under Sections 501(a) and 501(c)3 of the IRC because it is an organization of the type described in Section 509(a)(2) of the IRC. Therefore, the Organization is exempt from federal tax, except to the extent of any unrelated business income. During the years ended June 30, 2021 and 2020, the Organization did not incur any unrelated business income.

The Organization files its tax forms in the U.S. federal jurisdiction (Internal Revenue Service), State of California Franchise Tax Board, and the office of the state's attorney general for the State of California. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before June 30, 2018 and State of California Franchise Tax Board before June 30, 2017.

Uncertain Tax Positions

The Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization has evaluated its tax positions for the open tax years ended June 30, 2018 through 2021 for federal purposes and June 30, 2017 through 2021 for California tax purposes. As of June 30, 2021, the Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements or which may have an effect on its tax exempt status nor is material change to uncertain tax positions anticipated during the twelve months following June 30, 2021.

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	2021	2020
Buildings and improvements	\$ 1,340,548	\$ 1,340,548
Automobiles and trucks	92,215	92,215
Office equipment	136,550	136,550
	1,569,313	1,569,313
Less: accumulated depreciation	(528,754)	(460,544)
	1,040,559	1,108,769
Land	1,878,410	1,878,410
Total	\$ 2,918,969	\$ 2,987,179

NOTE 5 – CONCENTRATIONS

During the year ended June 30, 2021 and 2020, the Organization had recognized revenues from federal grants from the US Department of Health and Human Services of \$344,726 and \$418,824, which comprised of 11% and 12%, respectively, of the organization’s total revenues.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization’s financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date were as follows:

	2021	2020
Financial assets at year end:		
Cash	\$ 816,276	\$ 876,925
Accounts receivable, grants	462,191	308,947
Total financial assets at year end	1,278,467	1,185,872
Less: those unavailable for general expenditures within one year due to donor restrictions:	108,972	150,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,169,495	\$ 1,035,872

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020**

NOTE 7 – MORTGAGE NOTES PAYABLE AND BANK LOANS

Mortgage notes payable are summarized as follows:

Beachwood Drive – Mortgage with American Business Bank

On March 29, 2019, the organization entered into a loan agreement with American Business Bank in the amount of \$822,000 and the loan was effective on April 8, 2019. The term of the loan is for 25 years and matures on April 30, 2034. The loan bears interest of 5.4% per annum for 5 years with a monthly payment of \$6,707.76 representing principal and interest. After 5 years, it will be a variable loan with interest rate of 3% above 5 year Constant Maturity Treasury (CMT). The loan is secured by a first deed of trust on the same property.

Service Repayment Conditional Grant- Community Redevelopment Agency of Los Angeles

On March 21, 2014, the CRALA transferred a covenant from a previously owned location, 1550 North Gower Street to 1754 Taft Street. The covenant requires YES to properly maintain the property and provide social services to homeless youth ages twelve to seventeen until December 31, 2025.

Taft Avenue – Banc of California

On April 21, 2016 the entity entered into a Bank Loan agreement for \$1,350,000 with Banc of California secured by a group home facility located at 1719 Taft Avenue, Los Angeles, California. The Bank Loan provided financial accommodations for the entity to refinance and pay-off the mortgage loan from Catholic Charities of Los Angeles. The term of the agreement is to April 21, 2026. The Bank loan bears interest at 4.506% per annum. As of June 30, 2021 the outstanding balance of the principal was \$1,224,767 and \$1,222,608 classified as a long term liability. As of June 30, 2020 the outstanding balance of the principal was \$1,250,931 and \$1,223,911 classified as a long term liability.

The following table summarizes the approximate future mortgage notes’ principal and interest payments as of June 30, 2021:

5 year loan schedule	2021
2022	69,376
2023	163,268
2024	163,268
2025	163,268
2026	163,268
2027 & thereafter	1,243,035
	<u>\$ 1,965,483</u>

NOTE 8 – COMMITMENTS

Federal Grant Compliance

The Organization has received state and federal grant funds that are for specific purposes and are subject to compliance requirements. The grant expenditures are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that such potential outcomes are remote.

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 8 – COMMITMENTS (Continued)

Office, Shelter Facility and Equipment Operating Leases

The Organization leases certain office, shelter facilities and office equipment under short term operating leases. Facility rent expense for the years ended June 30, 2021 and 2020 was \$203,839 and \$289,791, respectively. Office equipment rent expense for the years ended June 30, 2021 and 2020 were \$0.

Threatened Litigation

The Organization is periodically subject to legal complaints and/or lawsuits in the ordinary course of operations. The Organization is not presently a party to any litigation that it believes might have a material adverse effect on its business operations.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (time and service restricted) are available for future periods are as follows:

	<u>Beginning Balance</u>	<u>Restricted Donations</u>	<u>Restrictions Release</u>	<u>Ending Balance</u>
Year ended June 30, 2021				
Karisma Foundation	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000
Susan Crown	50,000		(50,000)	-
California Community Foundation	-	166,000	(144,528)	21,472
Gogian Foundation	-	75,000	(37,500)	37,500
	<u>\$ 150,000</u>	<u>\$ 241,000</u>	<u>\$ (282,028)</u>	<u>\$ 108,972</u>
			-	
	<u>Beginning Balance</u>	<u>Restricted Donations</u>	<u>Restrictions Release</u>	<u>Ending Balance</u>
Year ended June 30, 2020				
Joseph Drown Foundation	\$ 25,000	\$ -	\$ (25,000)	\$ -
Carla & Roberta Deutsch Foundation	93,001		(93,001)	-
Karisma Foundation	-	100,000		100,000
Susan Crown Exchange Inc.	-	50,000		50,000
	<u>\$ 118,001</u>	<u>\$ 150,000</u>	<u>\$ (118,001)</u>	<u>\$ 150,000</u>

Los Angeles Youth Network (doing business as “Youth Emerging Stronger”)
Notes to the Financial Statements
For The Years Ended June 30, 2021 and 2020

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Restricted cash in the amount of \$108,972 and 150,000 is included in cash. Donor restricted deposits consist of the following restrictions:

Use Restrictions	<u>2021</u>	<u>2020</u>
Current Use Restrictions:		
Program	\$ 108,972	\$ 150,000
Equipment	<u>-</u>	<u>-</u>
	108,972	150,000
Long term Restrictions:		
Building	<u>-</u>	<u>-</u>
Total Use Restrictions	<u>\$ 108,972</u>	<u>\$ 150,000</u>

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 10, 2021, the date of issuance of these financial statements for items that should potentially be recognized or disclosed in these financial statements. No such material events or transactions were noted to have occurred.