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

Financial Statements and Independent Auditors' Report

June 30, 2019 and 2018

yes Youth Emerging Stronger

Building bright futures for foster and homeless youth

Love In All We Do MJF & Associates, APC

Certified Public Accountants & Management Consultants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Youth Network (doing business as "Youth Emerging Stronger") as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (Continued)

Other Matters

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements for Federal Awards, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards 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 other 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2019 on our consideration of Los Angeles Youth Network's (doing business as "Youth Emerging Stronger") internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the 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 Los Angeles Youth Network (doing business as "Youth Emerging Stronger") internal control over financial reporting and compliance.

MJF & Associates, APC

Los Angeles, California
October 28, 2019

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Statements of Financial Position
As of June 30, 2019 and 2018

ASSETS		June 30, 2019		June 30, 2018
CURRENT ASSETS:				
Cash	$	1,041,120	$	907,219
Accounts receivable, grants		412,218		480,388
Prepaid expenses and other assets		28,359		35,012
Total Current Assets		**1,481,697**		**1,422,619**
DEPOSITS		14,450		16,000
PROPERTY AND EQUIPMENT, NET		3,037,453		3,104,544
TOTAL ASSETS	**$**	**4,533,600**	**$**	**4,543,163**
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Mortgage notes and capital lease payables, current portion	$	62,746	$	34,959
Line of Credit		-		300,000
Accounts payable		196,884		280,063
Accrued compensation and vacation		179,179		169,891
Accrued Liabilities		39,125		30,784
Deferred revenue		25,160		-
Agency payable to HHYP (Note 2)		162,473		146,333
Accrued interest payable		1,437		3,039
Total Current Liabilities		**667,004**		**965,069**
NOTES PAYABLE		1,249,944		1,274,971
MORTGAGE NOTES PAYABLE, long term portion		779,177		313,117
Total Liabilities		**2,696,125**		**2,553,158**
NET ASSETS:				
With donor restrictions (Note 2)		118,001		130,219
Without donor restrictions (Note 2)		1,719,474		1,859,786
Total Net Assets		**1,837,475**		**1,990,005**
TOTAL LIABILITIES AND NET ASSETS	**$**	**4,533,600**	**$**	**4,543,163**

The accompanying notes are an integral part of these financial statements

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, 2019 and 2018

	June 30, 2019	June 30, 2018
REVENUES WITHOUT DONOR RESTRICTIONS		
Federal awards	$ 2,221,153	$ 2,190,525
Private foundation grants (Note 2)	680,069	600,247
Local government contracts	1,214,574	709,469
Individual contributions	127,613	97,316
Fundraising events	198,678	200,570
In-kind contributions	-	4,970
Program fees	-	420
Total revenues without donor restrictions	**4,442,087**	**3,803,517**
Net assets released from donor restrictions:		
Satisfaction of program restrictions (Note 2)	122,237	285,364
Increase in donor restricted net assets (Note 2)	(110,019)	(180,000)
Total net assets released from restrictions	12,218	105,364
Total revenues and support without donor restrictions	**4,454,305**	**3,908,881**
EXPENSES:		
Programs:		
Emergency Shelter	663,851	2,605,237
Group Home	2,272,752	223,926
Transitional Living	1,056,052	874,462
Total programs	3,992,655	3,703,625
General and administrative	352,210	217,826
Fundraising	249,752	353,072
Total expenses	4,594,617	4,274,523
Change in net assets without donor restrictions	**$ (140,312)**	**$ (365,642)**
Change in net assets with donor restrictions		
Net assets released from restrictions (Note 2)	(122,237)	(285,364)
Increase in net assets with donor restrictions (Note 2)	110,019	180,000
Net decrease in net assets with donor restrictions	(12,218)	(105,364)
Change in net assets	$ (152,530)	$ (471,006)
Net assets at beginning of year	1,990,005	2,461,011
Net assets at end of year (Note 2)	**$ 1,837,475**	**$ 1,990,005**

The accompanying notes are an integral part of these financial statements

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Statements of Cash Flow
For The Years Ended June 30, 2019 and 2018

Cash flows from operating activities:	**June 30, 2019**	**June 30, 2018**
Decrease in net assets (Note 2)	$ (152,530)	$ (471,006)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	67,100	64,156
Disposal of property plant and equipment	(9)	6,774
Amortization of conditional repayment loan	-	(19,300)
Decrease (Increase) in:		
Accounts receivable	68,170	42,154
Pledges receivable	-	-
Prepaid expenses and other assets	6,653	(13,762)
Deposits	1,550	19,530
Accounts payable	(83,179)	15,628
Agency payables (Note 2)	16,140	30,643
Accrued compensation and vacation	9,288	(38,512)
Accrued liabilities	8,341	(3,293)
Deferred Revenue	25,160	-
Accrued interest	(1,602)	95
Net cash used in provided by operating activities	(34,918)	(366,893)
Cash flows from investing activities:		
Purchases of property plant and equipment	-	(61,682)
Net cash used in investing activities	-	(61,682)
Cash flows from financing activities:		
Line of Credit proceeds	-	300,000
Line of Credit payments	(300,000)	-
Borrowings, mortgage loan	822,000	-
Payments on mortgages	(353,181)	(19,690)
Net cash provided by financing activities	168,819	280,310
Net increase (decrease) in cash	$ 133,901	$ (148,265)
Beginning cash balance	$ 907,219	$ 1,055,484
Ending cash balance	$ 1,041,120	$ 907,219
Supplemental cash flow information:		
Interest paid during the year	$ 82,510	$ 77,507

The accompanying notes are an integral part of these financial statements

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Statement of Functional Expenses
For The Years Ended June 30, 2019 and 2018

Year Ended June 30, 2019	Program Services Expenses: Transitional Living	Program Services Expenses: Emergency Shelter	Program Services Expenses: Group Home	Total Program Services	Management and Administrative Expenses	Fundraising Expenses	Total Expenses
Salaries and benefits	$ 629,822	$ 531,312	$ 1,752,790	$ 2,913,924	$ 102,897	$ 210,546	$ 3,227,367
Auto	12,847	6,232	14,700	33,779	3,153	43	36,975
Bad debts	-	-	-	-	-	4,600	4,600
Consultants	32,116	4,466	38,805	75,387	42,768	9,066	127,221
Depreciation	19,503	16,761	30,836	67,100	-	-	67,100
Direct youth expenses	31,058	19,183	65,400	115,641	-	-	115,641
Equipment rental	3,060	1,958	1,981	6,999	6,943	-	13,942
Food	36,644	43,041	136,937	216,622	1,099	-	217,721
Insurance	15,695	12,810	26,677	55,182	3,387	2,820	61,389
Maintenance	13,249	13,143	32,328	58,720	2,220	-	60,940
Mortgage interest	23,816	-	58,695	82,511	-	-	82,511
Office and other	4,839	1,707	3,998	10,544	78,325	11,547	100,416
Professional fees	-	-	-	-	42,478	-	42,478
Rent	194,001	-	82,200	276,201	26,575	10,630	313,406
Seminars and travel	3,753	341	-	4,094	5,249	-	9,343
Telephone and utilities	35,649	12,897	27,405	75,951	37,116	500	113,567
Total Expenses	**1,056,052**	**663,851**	**2,272,752**	**3,992,655**	**352,210**	**249,752**	**4,594,617**

Year Ended June 30, 2018	Program Services Expenses: Transitional Living	Program Services Expenses: Emergency Shelter	Program Services Expenses: Group Home	Total Program Services	Management and Administrative Expenses	Fundraising Expenses	Total Expenses
Salaries and benefits	$ 552,934	$ 2,019,498	$ 179,586	$ 2,752,018	$ 128,089	$ 263,742	$ 3,143,849
Auto	9,796	6,497	1,667	17,960	436	316	18,712
Consultants	12,035	44,446	1,663	58,144	3,493	14,748	76,385
Depreciation	14,905	44,438	4,813	64,156	-	-	64,156
Direct youth expenses	33,175	84,291	6,317	123,783	-	-	123,783
Equipment rental	5,477	4,763	-	10,240	9,968	-	20,208
Food	33,452	120,810	4,948	159,210	300	1,012	160,522
Insurance	10,311	38,175	3,409	51,895	2,421	4,975	59,291
Maintenance	13,706	35,825	6,502	56,033	558	2,028	58,619
Mortgage interest	14,509	60,044	2,954	77,507	-	-	77,507
Office and other	22,845	34,672	2,896	60,413	17,292	28,848	106,553
Professional fees	1,331	23,360	-	24,691	42,761	-	67,452
Rent	111,888	32,254	3,564	147,706	6,742	23,831	178,279
Seminars and travel	-	1,640	(3)	1,637	2,339	229	4,205
Telephone and utilities	38,098	54,524	5,610	98,232	3,427	13,343	115,002
Total Expenses	**$ 874,462**	**$ 2,605,237**	**$ 223,926**	**$ 3,703,625**	**$ 217,826**	**$ 353,072**	**$ 4,274,523**

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 21 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 runaway teens 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.

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.

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, 2019 and 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable
Pledges are unconditional promises to make future payments. Pledges meeting the requirements specified by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions ("GASB 33") are included in the financial statements as pledges receivable and recognized as revenue in the period pledged. In addition, pledges are recorded net of an allowance. The allowance for uncollectible pledges is determined by management. No allowance for doubtful accounts was deemed necessary as of June 30, 2019 and 2018.

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, 2019 and 2018 was $67,098 and $64,156, 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, 2019 and 2018.

Donated Materials, Equipment, and Services
Donated materials and equipment are reflected as donated revenue and support with an offsetting expense in the accompanying financial statements and are recorded at fair market value at the date of receipt. The Organization accounts for contributed services received in connection with the active participation by volunteers in the Organization's service programs as well as for contributed services received from various organizations in connection with management, general activities, and special events. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The estimated value of such services is reflected as donated support with an offsetting expense in the accompanying financial statements. The Organization received in-kind contributions that qualified per above criteria totaling for the years ended June 30, 2019 and 2018 of $0 and $4,970, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 restricted net assets 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.

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

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.

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.

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 $ 45,290 and $5,055 as of June 30, 2019 and 2018, respectively. The Organization did not experience any losses related to uninsured amounts during 2019 and 2018. The Organization routinely evaluates the credit worthiness of the institutions with which it deposits funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Contributions</u>
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.

<u>Restricted Deposits</u>
Restricted deposits included in cash are with donor restricted contributions as further described in Note 10.

<u>Agency payable reclassification</u>
The Organization does not have variance power over the Hollywood Homeless Youth Partnership (HHYP) any more, hence unless the donor explicitly grants variance power the Organization should recognize financial assets received from the donor and a corresponding liability to the specified beneficiary. Therefore, the net assets, revenue and expenses related to HHYP have been reclassified to liabilities.

<u>Adoption of Accounting Pronouncement</u>
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Project, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Project's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Project adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

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, 2019 and 2018, 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, 2016 and State of California Franchise Tax Board before June 30, 2015.

NOTE 3 – INCOME TAXES (Continued)

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, 2016 through 2019 for federal purposes and June 30, 2015 through June 30, 2019 for California tax purposes. As of June 30, 2019, 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, 2019.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	2019	2018
Buildings and improvements	$ 1,340,549	$ 1,340,549
Automobiles and trucks	129,106	129,099
Office equipment	136,550	136,550
	1,606,205	1,606,198
Less: accumulated depreciation	(447,162)	(380,064)
	1,159,043	1,226,134
Land	1,878,410	1,878,410
Total	$ 3,037,453	$ 3,104,544

NOTE 5 – CONCENTRATIONS

During the year ended June 30, 2019 and 2018, the Organization had recognized revenues from federal grants from the US Department of Health and Human Services of $1,843,262 and $1,694,541, which comprised of 41% and 45%, respectively, of the organization's total revenues.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets as of June 30, 2019 and 2018, 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:

	2019	2018
Financial assets at year end		
Cash	$ 1,041,120	$ 907,219
Accounts receivable, grants	412,218	480,388
Total financial assets at year end	1,453,338	1,387,607
Less those unavailable for general expenditures within one year due to:	-	-
Financial assets available to meet cash needs for general expenditures within one year	$ 1,453,338	$ 1,387,607

Donor restricted amounts that are available for use for general purposes within one year include the payments received of $118,001 as disclosed on Note 10, and as classified on the accompanying balance sheets, deferred revenue of $25,160 and Agency Payable HHYP of $162,473.

NOTE 7 – LINE OF CREDIT

Line of Credit with California United Bank (formerly 1st Enterprise Bank)
On April 28, 2016, the Organization entered into a line of credit agreement with California United Bank in the amount of $300,000, replacing the $150,000 line of credit discussed below. The letter of credit is secured by a second deed of trust on the property located at 2471 N. Beachwood Drive, Los Angeles, California 90028. It bears interest at a variable rate of one percentage point above the index (The Wall Street Journal Prime Rate). As of June 30, 2016, interest rate was 4.5% per annum. The line of credit calls for monthly interest-only payments that accrue on the outstanding balance as of the end of the prior month. The line of credit is subject to non-financial and financial covenants, including providing audited financial statements within 120 days of fiscal year end; delivering internal prepared financial statements every quarter within 30 days of quarter end; and having a positive change in net assets for the year ended June 30, 2017. The line of credit expires on May 1, 2021. On April 8, 2019, line of credit was paid in full and terminated. As such, as of June 30, 2019 and 2018 the outstanding balanced was $0 and $300,000 respectively.

NOTE 8 – MORTGAGE NOTES PAYABLE AND BANK LOANS

Mortgage notes payable are summarized as follows:

Beachwood Drive – Promissory Note with California United Bank (formerly 1st Enterprise Bank)
On April 17, 2012, the organization entered into a loan agreement with California United Bank in the amount of $375,000. The proceeds were used to refinance and pay the bridge loan on the property located at 2471 N. Beachwood Drive, Los Angeles, California 90028. The loan is secured by a first deed of trust on the same property. The term of the loan is for twenty (20) years, but is amortized over a period of ten (10) years. The loan bears interest at a rate of 5.24% per annum and it calls for 118 regular monthly payments of approximately $2,300 each, representing interest and principal, with first payment due on June 1, 2012, and one lump-sum payment of $283,000 to be made on April 1, 2022, representing the remaining unpaid principal and accrued interest. The balance outstanding on the loan as of June 30, 2018 was $323,381 and the loan was paid in full on April 8, 2019 with funds received from American Business Bank loan.

Beachwood Drive – Promissory Note 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 proceeds were used to refinance the property located at 2471 N. Beachwood Drive, Los Angeles, California 90028. As such, the proceeds were used to pay in full the outstanding balance of the promissory note and the line of credit with California United Bank totaling $318,000 and $300,000, respectively. 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.

Taft Avenue - Community Redevelopment Agency of Los Angeles
On December 28, 1983 the Organization entered into a mortgage note payable for $193,000 with the CRALA for the purchase of a shelter home located on 1754 Taft Avenue, Los Angeles, California. The note payable is non-interest bearing unless there are residual receipts as defined by the loan agreement.

Should there be residual receipts the loan will bear interest at the rate of seven and one half percent (7.5%) per annum. The loan is secured by a first trust deed, and matures upon the sale of the property. Management does not contemplate the sale of the property in the foreseeable future. As of June 30, 2014 and prior there have been no residual receipts.

As noted below, on October 4, 2007, the Community Redevelopment Agency of Los Angeles converted this mortgage note payable into a service repayment conditional grant. Under the terms of the agreement, the Organization amortized the principal balance in accordance with the service repayment conditional grant. The opportunity cost and benefit of not paying principal at the fair market value of $19,300 has been included as an in-kind contribution for each of the years ended June 30, 2018 and 2017, respectively. There's no opportunity cost or benefit of not paying principal at the fair market value of $19,300 for the year ended June 30, 2019.

NOTE 8 – MORTGAGE NOTES PAYABLE AND BANK LOANS (Continued)

Loan Consolidation and Service Repayment Conditional Grant- Community Redevelopment Agency of Los Angeles
On June 28, 2011, the Organization concluded extended negotiations, dating back to 2007, with the CRALA to convert its repayment terms of both of the before mentioned existing mortgage notes to a single service repayment conditional grant. Although the agreement was signed on June 28, 2011, the terms of the agreement were retroactive back to the date that the terms of the agreement were voted on and approved by the Los Angeles City Council on October 4, 2007.

The service repayment conditional grant provides that the principal of $263,000 and accrued interest payable of $33,281, as of April 30, 2007, on both mortgage notes payable be amortized over ten years, with the offset to revenues, (10) years beginning October 4, 2007, except for the 1754 Taft Street property mortgage note payable's contingent accrued interest payable of $352,595, has been and will continue to be amortized as an in-kind contribution on annual basis. On March 21, 2014, the CRALA terminated the service repayment conditional grant requirement and use restriction on the 1550 North Gower Street building, thus permitting its sale, which closed on June 4, 2014.

In 2011 the Organization entered into an Agreement Containing Covenants with the CRALA, which contains covenants through December 31, 2025. The covenants require LAYN to properly maintain the 1550 North Gower Street and 1754 Taft Street properties; provide social services to homeless youth ages twelve to seventeen at both sites until October 3, 2017, at such time the debt will be deemed repaid; prevent the sale of the property(ies) without prior approval from the CRALA; comply with governmental laws including non-discrimination regulations and American Disabilities Act; and Uniform Housing Code occupancy standards. On March 21, 2014, the CRALA terminated the service repayment conditional grant and use restriction requirement on the 1550 North Gower Street building, thus permitting its sale, which closed on June 4, 2014 and upon purchase of the 1719 Taft location on June 9, 2014, the CRALA transferred the above covenants, except for the service repayment conditional requirements.

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, 2019 the outstanding balance of the principal was $1,275,776 and $1,249,944 classified as a long term liability. As of June 30, 2018 the outstanding balance of the principal was $1,299,667 and $1,274,971 classified as a long term liability.

The following table summarizes the approximate future annual promissory and mortgage notes' principal and interest payments as of June 30, 2019:

2020	$	163,268
2021		163,268
2022		163,268
2023		164,676
2024 & thereafter		1,437,387
	$	2,091,867

NOTE 9 – 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.

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, 2019 and 2018 was $313,406 and $178,279, respectively. Office equipment rent expense for the years ended June 30, 2019 and 2018 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 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	Beginning Balance	Restricted Donations	Restrictions Release	Ending Balance
Year ended June 30, 2019				
John Gogian Family Foundation	$ 15,000	$ -	$ (15,000)	$ -
Joseph Drown Foundation	-	25,000		25,000
Costco	-	20,000	(20,000)	-
Karisma Foundation	50,000	-	(50,000)	-
Ahmanson Foundation	34,981	(34,981)	-	-
Carla & Roberta Deutsch Foundation	30,238	100,000	(37,237)	93,001
	$ 130,219	$ 110,019	$ (122,237)	$ 118,001

	Beginning Balance	Restricted Donations	Restrictions Release	Ending Balance
Year ended June 30, 2018				
Jewish Community Foundation	$ 40,000	$ -	$ (40,000)	$ -
John Gogian Family Foundation	45,318	-	(30,318)	15,000
Karisma Foundation	100,000	-	(50,000)	50,000
Skylight Foundation	50,265	-	(50,265)	-
Ahmanson Foundation	-	80,000	(45,019)	34,981
Carla & Roberta Deutsch Foundation	-	100,000	(69,762)	30,238
	$ 235,583	$ 180,000	$ (285,364)	$ 130,219

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 28, 2019, 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, except as follows.

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.

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2019

	CFDA Number	Expenditures
FEDERAL AWARDS		
U.S. Department of Health and Human Services		
Children's Hospital Los Angeles (CHLA); Homeless Youth & Exploitation Program (HYEP): 2016-17 HX 16-15-1185; Department of Children and Family Services Group Home Contract: 2017-8, 2018-19 07-023-045	93.658	$ 1,843,262
U.S. Department of Health and Human Services		
Health and Human Services (HHS); Basic Center Program (BCP) Taft: 2018-19 and 2019-20 90CY6633	93.623	155,614
Health and Human Services (HHS); Transitional Living Program (TLP): 2018-19 and 2019-20 09CX6918	93.550	222,277
TOTAL FEDERAL AWARDS		**$ 2,221,153**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Organization's under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of OMB Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in OMB Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. The organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2018

	CFDA Number	Expenditures
FEDERAL AWARDS		
U.S. Department of Health and Human Services		
Children's Hospital Los Angeles (CHLA); Homeless Youth & Exploitation Program (HYEP): 2016-17 HX 16-15-1185; Department of Children and Family Services Group Home Contract: 2016-17, 2017-18 07-023-045	93.658	$ 1,829,541
U.S. Department of Health and Human Services		
Health and Human Services (HHS); Basic Center Program (BCP) Taft: 2016-17 and 2017-18 90CY6633	93.623	150,207
Health and Human Services (HHS); Transitional Living Program (TLP): 2016-17 and 2017-18 09CX6918	93.550	195,392
U.S. Department of Homeland Security		
Emergency Food and Shelter Program -ESFP - Phase 29: 2016-17 069500-037	97.024	8,002
TOTAL FEDERAL AWARDS		**$ 2,183,142**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Organization's under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of OMB Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in OMB Uniform Guidance, *Cost Principles, Audit, and Administrative Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited to reimbursement. The organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

We have audited in accordance with 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 Los Angeles Youth Network (doing business as "Youth Emerging Stronger") (the "Organization" or "YES"), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 28, 2019 and October 5, 2018, respectively.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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.

Love In All We Do **MJF** & Associates, APC

Certified Public Accountants & Management Consultants

A Member Firm of MJF International

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 (CONTINUED)

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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MJF & Associates, APC

Los Angeles, California
October 28, 2019

MJF & Associates, APC
Love In All We Do
Certified Public Accountants & Management Consultants
A Member Firm of MJF International

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program
We have audited the compliance of Los Angeles Youth Network (doing business as "Youth Emerging Stronger") (the "Organization" or "YES") (a California public benefit charitable corporation), with the types of compliance requirements described in the U.S. Office of Management and Budget Uniform Guidance Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019 and 2018. The Organization'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
Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audits of the types of compliance requirements referred to above.

We conducted our audits 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 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 compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audits does not provide a legal determination on the Organization's compliance with those requirements.

Opinion on Each Major Federal Program
In our opinion, Los Angeles Youth Network (doing business as "Youth Emerging Stronger") complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019 and 2018.

Love In All We Do MJF & Associates, APC
Certified Public Accountants & Management Consultants
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 the Organization'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 the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Restricted Use

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.

MJF & Associates, APC

Los Angeles, California
October 28, 2019

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	No
Are any significant deficiencies identified **not** considered to be material weaknesses?	No
Is any noncompliance material to financial statements noted?	No

Federal Awards

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

Internal control over major program compliance:

Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Are an audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) relative to the major federal awards programs?	No

Identification of major programs:
CFDA Number(s) and Name of Federal Program or Cluster

93.658 – Foster Care

Enter the dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Is the auditee qualified as a low-risk auditee?	Yes

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

There were no reportable findings for the year ended June 30, 2019.

Section III: Federal Awards Findings

There were no reportable findings for the year ended June 30, 2019.

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Status of Prior Year Findings
As of June 30, 2018

Section II: Financial Statement Findings

There were no reportable findings for the year ended June 30, 2018.

Section III: Federal Awards Findings

There were no reportable findings for the year ended June 30, 2018.