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

Financial Statements and Independent Auditors' Report

June 30, 2020 and 2019

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Love
In All We Do
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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, 2020 and 2019, 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.

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, 2020 and 2019, 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 March 22, 2021 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
March 22, 2021

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Statements of Financial Position
As of June 30, 2020 and 2019

ASSETS	June 30, 2020	June 30, 2019
CURRENT ASSETS:		
Cash	$ 876,925	$ 1,041,120
Accounts receivable, grants	308,947	412,218
Prepaid expenses and other assets	24,558	28,359
Total Current Assets	**1,210,430**	**1,481,697**
DEPOSITS	14,450	14,450
PROPERTY AND EQUIPMENT, NET	2,987,179	3,037,453
TOTAL ASSETS	**$ 4,212,059**	**$ 4,533,600**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Mortgage notes and capital lease payables, current portion	$ 69,129	$ 62,746
Accounts payable	32,954	196,884
Accrued compensation and vacation	143,946	179,179
Accrued Liabilities	25,636	39,125
Deferred revenue	-	25,160
Agency payable to HHYP (Note 2)	165,138	162,473
Accrued interest payable	1,409	1,437
Total Current Liabilities	**438,212**	**667,004**
NOTES PAYABLE	1,223,911	1,249,944
MORTGAGE NOTES PAYABLE, long term portion	737,381	779,177
Total Liabilities	**2,399,504**	**2,696,125**
NET ASSETS:		
Net assets with donor restrictions (Note 2)	150,000	118,001
Net assets without donor restrictions (Note 2)	1,662,553	1,719,474
Total Net Assets	**1,812,553**	**1,837,475**
TOTAL LIABILITIES AND NET ASSETS	**$ 4,212,057**	**$ 4,533,600**

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, 2020 and 2019

	June 30, 2020	June 30, 2019
UNRESTRICTED SUPPORT		
Federal awards	$ 873,915	$ 2,221,153
Private foundation grants (Note 2)	1,393,258	680,069
Local government contracts	1,059,305	1,214,574
Individual contributions	75,145	127,613
Fundraising events	128,443	198,678
Other income	12,920	-
Total unrestricted support	**$ 3,542,986**	**$ 4,442,087**
Change in net assets with donor restrictions:		
Satisfaction of program restrictions (Note 2)	544,448	122,237
Increase in net assets with donor restrictions (Note 2)	(576,447)	(110,019)
Net change in net assets with donor restrictions	(31,999)	12,218
Total revenues	**$ 3,510,987**	**$ 4,454,305**
EXPENSES:		
Programs:		
Emergency Shelter	$ 788,236	$ 663,851
Group Home	566,754	2,272,752
Transitional Living	1,582,102	1,056,052
Total programs	2,937,092	3,992,655
General and administrative	364,685	352,210
Fundraising	266,131	249,752
Total expenses	3,567,908	4,594,617
Change in unrestricted net assets	**$ (56,921)**	**$ (140,312)**
Change in net assets with donor restrictions		
Net assets released from restrictions (Note 2)	$ (544,448)	$ (122,237)
Increase in net assets with donor restrictions (Note 2)	576,447	110,019
Net increase (decrease) in net assets with donor restrictions	31,999	(12,218)
Change in net assets	$ (24,922)	$ (152,530)
Net assets at beginning of year	$ 1,837,475	$ 1,990,005
Net assets at end of year (Note 2)	**$ 1,812,553**	**$ 1,837,475**

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, 2020 and 2019

Cash flows from operating activities:	June 30, 2020	June 30, 2019
(Decrease) increase in net assets (Note 2)	$ (24,922)	$ (152,530)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	68,962	67,100
Disposal of property plant and equipment	(12,992)	(9)
Decrease (Increase) in:		
Accounts receivable	103,271	68,170
Pledges receivable	-	-
Prepaid expenses and other assets	3,801	8,203
Deposits	-	-
Accounts payable	(163,930)	(83,179)
Agency payables (Note 2)	2,665	16,140
Accrued compensation and vacation	(35,233)	9,288
Accrued liabilities	(13,489)	8,341
Deferred Revenue	(25,160)	25,160
Accrued interest	(28)	(1,602)
Net cash (used in) provided by operating activities	(97,055)	(34,918)
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:		
Line of Credit	-	(300,000)
Payments on finance lease	-	822,000
Payments on mortgages	(61,446)	(353,181)
Net cash provided by (used in) financing activities	(61,446)	168,819
Net (decrease) increase in cash	$ (164,197)	$ 133,901
Beginning cash balance	$ 1,041,120	$ 907,219
Ending cash balance	$ 876,923	$ 1,041,120
Supplemental cash flow information:		
Interest paid during the year	$ 101,823	$ 82,510

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, 2020 and 2019

Year Ended June 30, 2020	Program Services Expenses: Transitional Living	Emergency Shelter	Group Home	Total Program Services	Management and Administrative Expenses	Fundraising Expenses	Total Expenses
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**

Year Ended June 30, 2019	Program Services Expenses: Transitional Living	Emergency Shelter	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**

The accompanying notes are an integral part of these financial statements

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.

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 2021 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.

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, 2020 and 2019.

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, 2020 and 2019 was $68,962 and $67,098, 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, 2020 and 2019.

Allocation of Functional Expenses

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

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 $9,055 and $45,290 as of June 30, 2020 and 2019, respectively. The Organization did not experience any losses related to uninsured amounts during 2020 and 2019. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Restricted Deposits</u>
Restricted deposits included in cash are with donor restricted contributions as further described in Note 9.

<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>Agency payable reclassification</u>
The Organization no longer has variance power over the Hollywood Homeless Youth Partnership (HHYP), 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>
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.

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, 2020 and 2019, 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, 2017 and State of California Franchise Tax Board before June 30, 2016.

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, 2017 through 2020 for federal purposes and June 30, 2016 through 2020 for California tax purposes. As of June 30, 2020, 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, 2020.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	2020	2019
Buildings and improvements	$ 1,340,548	$ 1,340,549
Automobiles and trucks	92,215	129,106
Office equipment	136,550	136,550
	1,569,313	1,606,205
Less: accumulated depreciation	(460,544)	(447,162)
	1,108,769	1,159,043
Land	1,878,410	1,878,410
Total	$ 2,987,179	$ 3,037,453

NOTE 5 – CONCENTRATIONS

During the year ended June 30, 2020 and 2019, the Organization had recognized revenues from federal grants from the US Department of Health and Human Services of $418,824 and $1,843,262, which comprised of 12% and 41%, respectively, of the organization's total revenues.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets as of June 30, 2020 and 2019, 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:

	2020	2019
Financial assets at year end:		
Cash	$ 876,925	$ 1,042,120
Accounts receivable, grants	308,947	412,218
Total financial assets at year end	1,185,872	1,454,338
Less: those unavailable for general expenditures within one year due to:	150,000	118,001
Financial assets available to meet cash needs for general expenditures within one year	$ 1,335,872	$ 1,572,339

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.

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.

NOTE 7 – MORTGAGE NOTES PAYABLE AND BANK LOANS(Continued)

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, 2020 the outstanding balance of the principal was $1,250,931 and $1,223,911 classified as a long term liability. 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.

The following table summarizes the approximate future mortgage notes' principal and interest payments as of June 30, 2020:

2021	$	163,268
2022		163,268
2023		163,268
2024		163,268
2025 & thereafter		1,377,350
	$	2,030,421

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.

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, 2020 and 2019 was $289,791 and $313,406, respectively. Office equipment rent expense for the years ended June 30, 2020 and 2019 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:

	Beginning Balance	Restricted Donations	Restrictions Release	Ending Balance
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
	$ 118,001	$ 150,000	$ (118,001)	$ 150,000

	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

Restricted cash in the amount of $150,000 and $118,001 is included in cash. Donor restricted deposits consist of the following restrictions:

Use Restrictions		2020	2019
Current Use Restrictions:			
	Program	$ 150,000	$ 118,001
	Equipment	-	-
		150,000	118,001
Long term Restrictions:			
	Building	-	-
Total Use Restrictions		$ 150,000	$ 118,001

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 22, 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.

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2020

	CFDA Number	Expenditures
FEDERAL AWARDS		
U.S. Department of Health and Human Services		
Through Los Angeles County Department of Children and Family 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	$ 448,560
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	150,000
Health and Human Services (HHS); Basic Center Program (BCP) 2019-20 90CY6633 - COVID Supplement	93.623	27,570
Health and Human Services (HHS); Transitional Living Program (TLP): 2018-19 and 2019-20 09CX6918	93.550	194,726
Health and Human Services (HHS); Transitional Living Program (TLP): 2019-20 09CX6918 - COVID Supplement	93.550	46,528
TOTAL FEDERAL AWARDS		**$ 867,384**

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, 2020. 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, 2019

	CFDA Number	Expenditures
FEDERAL AWARDS		
U.S. Department of Health and Human Services		
Through Los Angeles County Department of Children and Family 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.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2020 and 2019, 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 March 22, 2020 and October 28, 2019, 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.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (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
March 22, 2021

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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

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, 2020 and 2019. 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 years ended June 30, 2020 and 2019.

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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
March 22, 2021

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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
93.550 – Transitional Living

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

Section II: Financial Statement Findings

There were no reportable findings for the year ended June 30, 2020.

Section III: Federal Awards Findings

There were no reportable findings for the year ended June 30, 2020.

Los Angeles Youth Network (doing business as "Youth Emerging Stronger")
Status of Prior Year Findings
As of 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.