



LEADING YOUTH THROUGH EMPOWERMENT

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**LEADING YOUTH THROUGH EMPOWERMENT, INC.**  
**WILMINGTON, DELAWARE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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LEADING YOUTH THROUGH EMPOWERMENT, INC.

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## INDEPENDENT AUDITOR'S REPORT

July 29, 2022

To the Board of Directors  
Leading Youth Through Empowerment, Inc.  
Wilmington, Delaware

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Leading Youth Through Empowerment, Inc., a nonprofit organization, which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2021, and the related statements of support, revenue, expenses, and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Leading Youth Through Empowerment, Inc. as of December 31, 2021, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Leading Youth Through Empowerment, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Emphasis of Matter - Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of

To the Board of Directors  
Leading Youth Through Empowerment, Inc.

accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Leading Youth Through Empowerment, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Leading Youth Through Empowerment, Inc.'s ability to continue as a going concern for a reasonable period of time.

To the Board of Directors  
Leading Youth Through Empowerment, Inc.

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

Report on Summarized Comparative Information

We have previously audited Leading Youth Through Empowerment, Inc.'s December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP

**LEADING YOUTH THROUGH EMPOWERMENT, INC.**  
**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
Cash	\$ 399,747	\$ 14,642
Investments	190,303	164,739
<b>TOTAL ASSETS</b>	<b>\$ 590,050</b>	<b>\$ 179,381</b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Payroll liabilities	\$ 11,991	\$ 5,256
Deposits	35,613	6,700
Paycheck Protection Program loan payable	-	38,750
Total Liabilities	47,604	50,706
NET ASSETS:		
Without donor restrictions	542,446	128,675
Total Net Assets	542,446	128,675
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 590,050</b>	<b>\$ 179,381</b>

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

**LEADING YOUTH THROUGH EMPOWERMENT, INC.**  
**STATEMENTS OF SUPPORT, REVENUE, EXPENSES, AND CHANGES IN NET ASSETS –**  
**MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<u>PUBLIC SUPPORT, REVENUE, AND GAINS WITHOUT DONOR RESTRICTIONS</u>		
Public Support:		
Contributions	\$ 612,208	\$ 111,218
Grants	22,500	-
Revenue:		
School program income	189,924	49,124
Gains:		
Unrealized gain on investments	23,094	18,612
Gain on Paycheck Protection Program loan forgiveness	83,282	-
	<u>931,008</u>	<u>178,954</u>
 <u>EXPENSES</u>		
Program services	438,617	244,301
Management and general	78,620	132,754
	<u>517,237</u>	<u>377,055</u>
 CHANGES IN NET ASSETS	413,771	(198,101)
 NET ASSETS, BEGINNING OF YEAR	<u>128,675</u>	<u>326,776</u>
 NET ASSETS, END OF YEAR	<u>\$ 542,446</u>	<u>\$ 128,675</u>

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

**LEADING YOUTH THROUGH EMPOWERMENT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Summarized Totals for 2020)**

	Program Services	Management and General	Totals	
			2021	2020
Administrative expenses	\$ 9,795	\$ -	\$ 9,795	\$ 10,875
Advertising	2,050	-	2,050	4,248
Contract services	103,791	-	103,791	84,008
Insurance	3,155	-	3,155	1,200
Miscellaneous expense	65	-	65	21
Payroll taxes	10,544	13,977	24,521	18,552
Program supplies	71,795	-	71,795	29,975
Rent	4,199	-	4,199	1,980
Salaries	225,391	64,643	290,034	214,349
Subscriptions	35	-	35	1,015
Tuition	7,797	-	7,797	10,832
<b>TOTAL EXPENSES</b>	<b>\$ 438,617</b>	<b>\$ 78,620</b>	<b>\$ 517,237</b>	<b>\$ 377,055</b>

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

**LEADING YOUTH THROUGH EMPOWERMENT, INC.**  
**STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 413,771	\$ (198,101)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized gain on investments	(23,094)	(18,612)
Gain on Paycheck Protection Program loan forgiveness	(83,282)	-
Increase in payroll liabilities	6,735	161
Increase in deposits	28,913	6,700
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>343,043</u>	<u>(209,852)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	<u>(2,470)</u>	<u>(3,596)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,470)</u>	<u>(3,596)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	<u>44,532</u>	<u>38,750</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>44,532</u>	<u>38,750</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	385,105	(174,698)
CASH, BEGINNING OF YEAR	<u>14,642</u>	<u>189,340</u>
CASH, END OF YEAR	<u>\$ 399,747</u>	<u>\$ 14,642</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
NONCASH FINANCING ACTIVITIES:		
Gain on Paycheck Protection Program loan forgiveness	<u>\$ 83,282</u>	<u>\$ -</u>

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

LEADING YOUTH THROUGH EMPOWERMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A THE ORGANIZATION

Leading Youth Through Empowerment, Inc. ("the Organization") is a nonprofit organization that is focused on enhancing education for all children. The Organization offers three major programs to its students. The Middle School Tutelage Program provides above grade level classes in math, writing, research, and English and prepares students for high school entrance and placement exams. The Finance and Tuition Support Program educates families on the costs and benefits associated with various high school options. The program also helps students obtain scholarships and financial aid for tuition and technology. The High School Guidance Program assigns an advocate to meet at least monthly with high school students to provide academic, social support, and counseling throughout their four years of high school.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, revenues from all sources are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred. Liabilities are not recognized, except for payroll withholdings which are recognized as liabilities from the time they are withheld from paychecks until they are remitted to the applicable third parties, deposits held on behalf of others, and loans payable. Investments are reported at fair value. The modified cash basis of accounting differs from the accrual basis based on when revenues and expenses are recognized and how the transactions are recorded. Under the modified cash basis of accounting, the statement of assets, liabilities, and net assets – modified cash basis contains only cash and cash equivalents, investments, payroll liabilities, deposits, loans payable, and net assets; and the statement of support, revenue, expenses, and changes in net assets – modified cash basis shows all cash receipts as revenues and all cash disbursements as expenses. Under the accrual basis, all revenue earned and expenses incurred would be reflected on the income statement, and receipts and disbursements on loans or capital expenditures would be reflected on the balance sheet. Recognition also would be made on the balance sheet for receivables, prepaid assets, note and loan balances, and accounts payable as of the statement of assets, liabilities, and net assets – modified cash basis date.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

LEADING YOUTH THROUGH EMPOWERMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributions

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Allocation of Functional Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of support, revenue, expenses, and changes in net assets – modified cash basis. Whenever possible, costs are directly assigned to the appropriate program or support service. If costs cannot be identified to a specific program service or supporting service, then these costs are allocated utilizing an appropriate basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Investments

In accordance with the modified cash basis of accounting, investments are reported at fair value. Donated securities are also reported at fair value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in fair value, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets.

Fair Value Measurements

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Levels within the hierarchy are based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

LEADING YOUTH THROUGH EMPOWERMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Deposits

Deposits consist of funds advanced from the State of Delaware and held on behalf of participants in the Future Leaders Internship Initiative program. Funds will be released to participants upon the achievement of program benchmarks anticipated to be reached in 2022.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Prior Year Financial Statements

The statement of functional expenses includes certain prior year summarized comparative information in total by natural classification but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Income Taxes

No provision has been made for income taxes since the Organization has qualified as a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3), and its activities do not result in any income tax liability. The Organization recognizes the financial statement effects of a tax position if it is more likely than not that the position will not be sustained upon examination. The Organization has no uncertain tax positions that qualify for recognition in the financial statements.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax penalties and interest as a result of such challenge.

LEADING YOUTH THROUGH EMPOWERMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C CONCENTRATIONS

For the year ended December 31, 2021, the Organization received 48 percent of its total public support, revenues, and gains from one contributor.

NOTE D INVESTMENTS

The fair value of investments at December 31, 2021 is as follows:

	<u>Fair Value</u>	<u>Level 2</u>
Mutual funds	\$ 190,303	\$ 190,303
Total Investments	<u>\$ 190,303</u>	<u>\$ 190,303</u>

NOTE E CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2021, the Organization's book balance was \$399,747, and the bank balance was \$399,838. Of the Organization's bank balance, \$149,838 would not be federally insured and have exposure to custodial deposit risk.

NOTE F LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of assets, liabilities, and net assets – modified cash basis.

Financial assets, at year-end	\$ 590,050
Less those unavailable for general expenditures within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 590,050</u>

The Organization relies heavily on donations to support operations and utilizes an annual budget. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

LEADING YOUTH THROUGH EMPOWERMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G PAYCHECK PROTECTION PROGRAM LOAN

On April 28, 2020, the Organization obtained a loan in the form of a note in the amount of \$38,750 from TD Bank, N.A. Additionally, on February 9, 2021, the Organization obtained a second loan in the form of a note in the amount of \$44,532 from TD Bank, N.A. Both loans were given under the Coronavirus Aid, Relief, and Economic Security Act through the U.S. Small Business Administration Paycheck Protection Program.

The Organization received notification on April 21, 2021 that the first loan had been fully forgiven, and on November 15, 2021 that the second loan had been fully forgiven.

NOTE H ECONOMIC UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Organization's operations in 2022. Other financial impact could occur though such potential impact is unknown at this time.

NOTE I SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through July 29, 2022, the date the financial statements were available to be issued.