



squarmilner

Certified Public Accountants
and Financial Advisors

**Legacy Youth Leadership
dba Thirst Project Support**

Financial Statements
December 31, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Legacy Youth Leadership dba Thirst Support

Report on the Financial Statements

We have audited the accompanying financial statements of Legacy Youth Leadership dba Thirst Project Support (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities and net assets (deficit), functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Legacy Youth Leadership dba Thirst Project Support as of December 31, 2018, and the net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SQUAR MILNER LLP

SQUAR MILNER LLP

Los Angeles, California

April 7, 2020

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
STATEMENT OF FINANCIAL POSITION
December 31, 2018

	<u>2018</u>
ASSETS	
Current Assets	
Cash	\$ 52,539
Accounts receivable	2,000
Total current assets	<u>54,539</u>
Property and Equipment, net	86,856
Other Assets	2,105
Total assets	<u>\$ 143,500</u>
LIABILITIES AND NET ASSETS (DEFICIT)	
Current Liabilities	
Accounts payable	\$ 33,456
Accrued expenses	69,811
Loans payable, current portion	18,918
Total current liabilities	<u>122,185</u>
Loans Payable, net of current portion	54,417
Due to Related Party	612,793
Total liabilities	<u>789,395</u>
Commitments and Contingencies (Note 8)	
Net Assets (Deficit)	
Without donor restrictions	<u>(645,895)</u>
Total liabilities and net assets (deficit)	<u>\$ 143,500</u>

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	2018
	Without Donor
	Restrictions
	<u> </u>
REVENUES	
Donations and Grants	\$ 1,758,960
Merchandise Sales	7,735
Total revenues	<u>1,766,695</u>
FUNCTIONAL EXPENSES	
Program services	1,225,918
Fundraising services	523,631
Supporting services	487,416
Total functional expenses	<u>2,236,965</u>
CHANGE IN NET ASSETS (DEFICT) WITHOUT DONOR RESTRICTIONS	(470,270)
NET ASSETS (DEFICT) WITHOUT DONOR RESTRICTIONS-beginning of year	<u>(175,625)</u>
NET ASSETS (DEFICT) WITHOUT DONOR RESTRICTIONS-end of year	<u><u>(645,895)</u></u>

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Fundraising Services</u>	<u>Supporting Services</u>	<u>Total</u>
Administrative Expenditures	\$ 24,699	\$ —	\$ 8,866	\$ 33,565
Insurance Expenses	—	—	46,026	46,026
Interest Expense	—	—	730	730
IT Expenses	—	—	2,171	2,171
Legal and Professional Fees	—	—	19,870	19,870
Meals and Entertainment	—	—	2,190	2,190
Office Expenses	—	—	45,174	45,174
Outside Contractor	—	—	5,997	5,997
Parking Expenses	—	—	4,171	4,171
Payroll Expenses	267,069	90,383	193,435	550,887
Rent	—	—	68,300	68,300
Repairs and Maintenance	—	—	33,863	33,863
Shipping and Postage	1,927	1,927	1,927	5,781
Staff Development	—	—	23,262	23,262
Taxes and Licenses	—	—	8,989	8,989
Telephone and Internet	6,500	1,000	3,978	11,478
Travel	207,904	—	5,663	213,567
Utilities	12,792	—	—	12,792
Depreciation	19,599	—	—	19,599
Charitable Contributions-Thirst Project	180,231	—	—	180,231
Student Activation	129,367	—	—	129,367
Special Events	13,675	—	—	13,675
School Tours	89,975	—	—	89,975
Legal and Professional Fees Education	2,752	—	—	2,752
Speakers	14,528	—	—	14,528
Supplies	2,613	—	—	2,613
Tolls	824	—	—	824
Curriculum	546	—	—	546
Events	30,023	54,069	—	84,092
Fundraising	—	63,843	—	63,843
Gala Expenses	65,777	155,237	—	221,014
Marketing	61,893	63,948	12,146	137,987
Water Projects	93,224	93,224	—	186,448
Penalty	—	—	658	658
<i>Total functional expenses</i>	<u>\$ 1,225,918</u>	<u>\$ 523,631</u>	<u>\$ 487,416</u>	<u>\$ 2,236,965</u>

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets without donor restrictions	\$ (470,270)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:	
Depreciation expense	19,599
(Increase) decrease in:	
Accounts receivable	(2,000)
Other assets	(2,105)
Increase (decrease) in:	
Accounts payable	(13,185)
Accrued expenses	9,830
Due to related party	548,734
Net cash provided by operating activities	<u>90,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(29,394)
Net cash used in investing activities	<u>(29,394)</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Payments on loan payable	(29,742)
Net cash used in financing activity	<u>(29,742)</u>
NET INCREASE IN CASH	31,467
CASH – beginning of year	<u>21,072</u>
CASH – end of year	<u>\$ 52,539</u>

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. NATURE OF ORGANIZATION

Legacy Youth Leadership dba Thirst Project Support (the "Organization") is a 501(c)(3) nonprofit incorporated under the laws of the state of California on March 01, 2016. The Organization focuses on raising awareness through outreach in high schools. The Organization is working to build a socially-conscious and active generation of young people by providing free educational and activism programs as well as leadership coaching and mentoring to young people to supplement students' existing school and youth development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented on the accrual basis of accounting following accounting guidance for not-for-profit entities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results can differ from those estimates.

Concentration of Credit Risk

The Thirst Project maintains its cash in bank deposit accounts; these balances may exceed federally insured limits at various times throughout the year. The Thirst Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash accounts and short-term investments with a maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of December 31, 2018.

Accounts Receivable

Accounts Receivable are stated at net realizable value. The Organization does not maintain an allowance for doubtful accounts as it considers these receivables fully collectible.

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Deferred Income

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions. An allowance for doubtful accounts is provided for those promises that, in management's judgment, are doubtful as to collectability. As of December 31, 2018, there were not promises to give. For the year ended December 31, 2018, all contributions were treated as not having any donor restrictions.

Contributed Services

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been met.

Property and Equipment

Property and equipment are recorded at historical cost if purchased or fair value if contributed, net of accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets on a straight-line basis over their useful lives, typically three to seven years.

Expenditures for repairs and maintenance are expensed when incurred.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). Management has analyzed the tax positions taken by the Organization, and has concluded as of December 31, 2018, there are no positions taken or expected to be taken that would require recognition of the liability (or asset) or disclosure in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *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 need to be maintained in perpetuity.

All net assets as of December 31, 2018 were considered to be net assets without donor restrictions.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine fair value, the Organization primarily utilizes reported market transactions and discounted cash flow analyses. The Organization utilizes the FASB's fair value model that establishes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs and the lowest to Level 3 inputs.

The three broad categories are:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- *Level 3* – Unobservable inputs for the asset or liability.

Where available, the Organization utilizes quoted market prices or observable inputs rather than unobservable inputs to determine fair value.

The carrying amounts of the Organization's financial instruments, including cash and cash equivalents, receivables, loans payable, due to related party, accounts payables and accrued expenses approximate fair value.

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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 also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and the inclusion of a statement of functional expenses. The Organization adopted ASU 2016-14 on January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which changes the accounting for leases and requires expanded disclosures about leasing activities. This new guidance will require lessees to recognize a right of use asset and a lease liability at the commencement date for all leases with terms greater than twelve months. Accounting by lessors is largely unchanged. ASU 2016-02 is effective for fiscal periods beginning after December 15, 2020 and must be adopted using a modified retrospective approach. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the Organization’s statements of activities and financial position.

Subsequent Events

The Thirst Project has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018 for items that should potentially be recognized or disclosed in these financial statements. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate financial impact on the Organization’s future financial statements cannot be reasonably estimated at this time. However, the Organization does not expect that this matter will have a material negative impact on its operations, results of operation, and financial position. The evaluation was conducted through April 07, 2020, the date these financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization’s primary source of liquidity is cash and cash equivalents.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows, which identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations for the year ended December 31, 2018.

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

As of December 31, 2018, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the statement of financial position date to meet general expenditures.

	<u>2018</u>
Cash	\$ 52,539
Accounts Receivable	<u>2,000</u>
	<u>\$ 54,539</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following as of December 31, 2018:

	<u>2018</u>
Property and equipment	\$ 117,733
Less: accumulated depreciation	<u>(30,877)</u>
Property and equipment, net	<u>\$ 86,856</u>

Depreciation expense for the year ended December 31, 2018 amounted to \$19,599.

5. DUE TO RELATED PARTY

The Organization received donations for a related party, The Thirst Project (a nonprofit organization), throughout their outreach at different schools. As such, the Organization recognized a related party payable of \$554,935, as of December 31, 2018. This payable does not accrue interest and will be paid in full in 2020, as such this related party receivable was classified as noncurrent liability on the accompanying statement of financial position.

The Organization owes another related party \$57,858 for a noninterest bearing loan.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as of December 31, 2018 total \$33,456.

Accrued expenses consist of the Organization's credit card payable and accrued salaries totaling \$69,811 as of December 31, 2018.

LEGACY YOUTH LEADERSHIP DBA THIRST PROJECT SUPPORT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

7. LOANS PAYABLE

Loans payable consists of the amounts payable for the Organization's automobiles. As of December 31, 2018, the Organization has three payables totaling \$73,335 for financed automobiles. Two loans have an annual interest rate of 4.99% and have balances of \$30,855 and \$20,581 as of December 31, 2018. The other loan has an annual interest rate of 5.25% and has a balance of \$21,899 as of December 31, 2018. Principal payments for the loans are due according to the following:

Years Ending December 31	
2019	\$ 18,918
2020	18,918
2021	18,918
2022	11,881
2023	<u>4,700</u>
	<u>\$ 73,335</u>

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization rents its office space in Los Angeles, California with the lease expiring in August 2019. Total rent expense for the year ended December 31, 2018 was \$86,002 and is included in operating expenses in the accompanying statement of activities. Upon expiration of the lease, the Organization continues to lease the space on a month-to-month basis.

Years Ending December 31	
2019	<u>\$ 52,000</u>
	<u>\$ 52,000</u>