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Legacy Youth Leadership

Financial Statements

December 31, 2021

INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Legacy Youth Leadership

Opinion

We have audited the financial statements of Legacy Youth Leadership (the "Organization"), which comprise the statement of financial position as of December 31, 2021 and the statements of activities and net deficit, functional expenses, and cash flows for the year ended December 31, 2021, and the related notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated and combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

BAKER TILLY US, LLP

Baker Tilly US, LLP

Los Angeles, California
August 5, 2022

LEGACY YOUTH LEADERSHIP
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current Assets		
Cash	$	66,563
Accounts receivable		2,000
Total current assets		68,563
Property and Equipment, net		33,125
Other Assets		2,660
Total assets	$	104,348

LIABILITIES AND NET DEFICIT

Current Liabilities		
Accounts payable	$	39,002
Accrued expenses		15,480
Due to related party, current portion		5,000
Loan payable, current portion		7,564
Total current liabilities		67,046
Due to Related Party, net of current portion		703,551
Loan Payable, net of current portion		11,275
Total liabilities		781,872
Commitments and Contingencies (Note 10)		
Net Deficit		
Without donor restrictions		(677,524)
Total liabilities and net deficit	$	104,348

See accompanying independent auditor's report and notes to financial statements.

LEGACY YOUTH LEADERSHIP
STATEMENT OF ACTIVITIES AND NET DEFICIT
For the Year Ended December 31, 2021

	Without Donor Restrictions
REVENUES	
Donations and Grants	$ 1,510,970
Merchandise Sales	575
Forgiveness of debt income-Payroll Protection Programs	254,116
Forgiveness of debt income-Economic Injury Loan	9,000
Total revenues	1,774,661
FUNCTIONAL EXPENSES	
Program services	989,905
Fundraising services	221,767
Supporting services	324,615
Total functional expenses	1,536,287
CHANGE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS	238,374
NET DEFICIT WITHOUT DONOR RESTRICTIONS - beginning of year	(915,898)
NET DEFICIT WITHOUT DONOR RESTRICTIONS - end of year	$ (677,524)

See accompanying independent auditor's report and notes to financial statements.

LEGACY YOUTH LEADERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Fundraising Services	Supporting Services	Total
Administrative Expenditures	$ 137,504	$ 12,621	$ 39,161	$ 189,286
Charitable Contributions-Thirst Project	110,526	–	–	110,526
Club Program	19515	–	–	19,515
Events	13,057	13,057	–	26,114
Fundraising Expenses	26,723	42,711	–	69,434
In-Kind Donations	–	–	4,180	4,180
IT Expenses	12,878	1,905	3,810	18,593
Leadership Program	81,165	–	–	81,165
Marketing	62,690	7,836	7,836	78,362
Office Expenses	11,994	5,423	36,443	53,860
Outreach- School Tours	83,433	–	–	83,433
Payroll Expense	410,904	138,214	233,185	782,303
Speaking Program	19,516	–	–	19,516
Total functional expenses	$ 989,905	$ 221,767	$ 324,615	$ 1,536,287

See accompanying independent auditor's report and notes to financial statements.

LEGACY YOUTH LEADERSHIP
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net deficit without donor restrictions	$ 238,374
Adjustments to reconcile change in net deficit without donor restrictions to net cash used in operating activities:	
Paycheck Protection Program note payable forgiveness	(254,116)
Economic Injury Disaster Loan forgiveness	(9,000)
Depreciation expense	15,074
Change in operating assets and liabilities:	
Related party payable	(4,535)
Accounts payable	(25,276)
Accrued expenses	(48,273)
Net cash used in operating activities	(87,752)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Paycheck Protection Program note payable	134,368
Payments on loans payable	(2,098)
Net cash provided by financing activities	132,270
NET INCREASE IN CASH	44,518
CASH – beginning of year	22,045
CASH – end of year	$ 66,563

1. NATURE OF ORGANIZATION

Legacy Youth Leadership (the "Organization") is a 501(c)(3) nonprofit incorporated under the laws of the state of California on March 1, 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 supplements 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

Legacy Youth Leadership maintains its cash in bank deposit accounts; these balances may exceed federally insured limits at various times throughout the year. Legacy Youth Leadership 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, 2021.

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.

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, 2021, there were no promises to give. For the year ended December 31, 2021, 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 statement of activities and net deficit 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, 2021, 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 statement of activities and net deficit.

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, 2021 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, accounts receivables, loans payable, due to related party, accounts payables and accrued expenses approximate fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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 12 months. Accounting by lessors is largely unchanged. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date for private entities by one year, making this change effective January 1, 2022. Early adoption is permitted. Management is currently evaluating the impact of this ASU on the Organization's statement of activities and net deficit and financial position.

Subsequent Events

Legacy Youth Leadership has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2021 for items that should potentially be recognized or disclosed in these financial statements.

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, 2021.

As of December 31, 2021, 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.

	2021
Cash	$ 66,563
Accounts Receivable	2,000
	$ 68,563

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following as of December 31, 2021:

	2021
Property and equipment	$ 88,577
Less: accumulated depreciation	55,452
Property and equipment, net	$ 33,125

Depreciation expense for the year ended December 31, 2021 amounted to $15,074.

5. DUE TO RELATED PARTY

The Organization received donations for a related party, The Thirst Project (a nonprofit organization) from donors and sponsors. As such, the Organization recognized a related party payable of $708,551, as of December 31, 2021. This payable does not accrue interest. $5,000 will be paid in 2022 and is classified as a current liability. The remaining balance of $703,551 will be paid in full in 2025 and, therefore, is classified as a noncurrent liability.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as of December 31, 2021 total $39,002.

Accrued expenses consist of the Organization's credit card payable and accrued salaries totaling $15,480 as of December 31, 2021.

7. LOANS PAYABLE

Loans payable consists of the amounts payable for the Organization's automobiles. As of December 31, 2021, the Organization has two payables totaling $18,839 for financed automobiles. The two loans have an annual interest rate of 5.45% and 6.95% and have balances of $1,399 and $17,440 as of December 31, 2021, respectively. Principal payments for the loans are due according to the following:

Years Ending December 31:	
2022	$ 7,564
2023	6,608
2024	4,667
	$ 18,839

8. PAYCHECK PROTECTION PROGRAM

On May 1, 2020, the Organization received loan proceeds in the amount of $119,748 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

On March 16, 2021, the Organization received an additional $134,368 under the Paycheck Protection Program.

The Organization met the PPP 's loan forgiveness requirements, and therefore, applied for forgiveness during 2021. On May 10, 2021, the Organization received legal release from the SBA, and therefore, recorded the total amount of the loan $119,748, as forgiveness income in the statement of activities and net deficit. On September 17, 2021, the Organization received legal release from the SBA, and therefore, recorded the total amount of the loan $134,368, as forgiveness income in the statement of activities and net deficit.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

9. ECONOMIC INJURY DISASTER LOAN

On March 28, 2020, the Organization received loan proceeds in the amount of $9,000 under the Targeted Economic Injury Disaster Loan Advance which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The Economic Injury Disaster Loan has no collateral requirements for loans under $25,000. The loan has a fixed interest rate of 2.75% for private nonprofit organizations and matures in 30 years. Payments are deferred for the first two years, during which interest will accrue. Payments of principal and interest are made over the remaining 28 years, and there is no penalty for prepayment. The Organization met the requirements not to repay the Targeted Economic Injury Disaster Loan Advance since they received funding that was less than $15,000.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization rents its office space in Los Angeles, California with the lease, which originally expired in August 2019. Upon expiration of the lease, the Organization continued to lease the space on a month-to-month basis. Total rent expense for the year ended December 31, 2021 was $20,795 and is included in supporting services in the accompanying statement of activities and net deficit.