Legacy Youth Leadership

Financial Statements

December 31, 2022

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Independent Auditors' Report

To the Board of Directors
Legacy Youth Leadership

Opinion

We have audited the accompanying financial statements of Legacy Youth Leadership (the Organization), which comprise the statement of financial position as of December 31, 2022 and the statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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, 2022, and the changes in its net assets 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 audit. 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 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

Los Angeles, California
December 19, 2023

Legacy Youth Leadership

Statement of Financial Position
December 31, 2022

Assets		
Current Assets		
Cash	$	14,200
Accounts receivable		2,000
Contributions receivable		277,430
Total current assets		293,630
Property and Equipment, Net		12,041
Operating Lease Right-of-Use Asset		33,249
Other Assets		2,260
Total assets	$	341,180
Liabilities and Net Deficit		
Current Liabilities		
Accounts payable	$	42,834
Accrued expenses		46,395
Short-term obligation under operating lease		28,481
Related party payable, current portion		68,926
Total current liabilities		186,636
Long-Term Obligation Under Operating Lease		4,768
Related Party Payable, Net of Current Portion		712,649
Total liabilities		904,053
Net Deficit		
Net deficit without donor restrictions		(840,303)
Net assets with donor restrictions		277,430
Total net deficit		(562,873)
Total liabilities and net deficit	$	341,180

See notes to financial statements

Legacy Youth Leadership

Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	Without Donor Restrictions	Total
Revenue			
Donations and grants	$ 1,730,006	$ 277,430	$ 2,007,436
Merchandise sales	759	-	759
Gain on sale of property and equipment	4,989	-	4,989
Other income	10,000	-	10,000
Total revenues	1,745,754	277,430	2,023,184
Expenses			
Program services	1,347,278	-	1,347,278
Supporting services	228,977	-	228,977
Fundraising services	332,277	-	332,277
Total expenses	1,908,533	-	1,908,533
Change in net assets	(162,779)	277,430	114,651
Net Deficit, Beginning	(677,524)	-	(677,524)
Net Deficit, Ending	$ (840,303)	$ 277,430	$ (562,873)

Legacy Youth Leadership

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Supporting Services	Fundraising	Total
Payroll	$ 710,172	$ 102,942	$ 182,790	$ 995,904
Charitable contributions	234,870	-	-	234,870
Fundraising expenses	-	-	115,281	115,281
Outreach - schools	115,245	-	-	115,245
Insurance expenses	82,592	5,000	-	87,592
Office expenses	21,134	54,948	8,454	84,536
Event expenses	67,335	-	16,834	84,169
Marketing	18,402	23,002	4,600	46,004
Leadership program	41,212	-	-	41,212
Professional fees	36,001	2,500	2,500	41,001
Other expenses	-	22,714	-	22,714
IT	4,462	11,600	1,818	17,880
Scholarship program	10,011	-	-	10,011
In-kind donations	-	6,271	-	6,271
Speaking program	3,818	-	-	3,818
Club program	2,028	-	-	2,028
Total expenses	$ 1,347,278	$ 228,977	$ 332,277	$ 1,908,533

Legacy Youth Leadership

Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows From Operating Activities	
Change in net assets	$ 114,651
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Amortization of operating lease right-of-use assets	28,260
Depreciation	4,276
Gain on sale of property and equipment	(4,989)
Changes in operating assets and liabilities:	
Contributions receivable	(277,430)
Other current assets	400
Accounts payable	3,832
Accrued expenses	30,915
Related party payable	73,024
Operating lease liabilities	(28,260)
Net cash used in operating activities	(55,321)
Cash Flows From Investing Activities	
Proceeds from sale of property and equipment	21,797
Net cash provided by investing activities	21,797
Cash Flows From Financing Activities	
Payments on loans payable	(18,839)
Net cash used in financing activities	(18,839)
Net decrease in cash	(52,363)
Cash, Beginning	66,563
Cash, Ending	$ 14,200
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	$ 9,055

See notes to financial statements

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 Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. These funds may also be designated for specific purposes by action of the Board of Directors. The Organization did not have any net assets designated by the Board of Directors at December 31, 2022.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time, and net assets to be held in perpetuity as directed by donors. At December 31, 2022, the Organization had $277,430 restricted for the passage of time.

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, 2022.

Contributions and Accounts Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at a net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. At December 31, 2022, the Organization had contributions receivable of $277,430 which are expected to be received in 2023.

Accounts receivable are the amount management expects to collect from outstanding customer balances.

The Organization provides an allowance for doubtful accounts based upon management's evaluation of the collectability of individual receivables. Receivables are written off against the allowance when it is probable that the receivable will not be collected. As of December 31, 2022, there was no allowance for doubtful accounts.

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.

Revenue Recognition

Contributions

Unconditional contributions and grants are recognized as revenue when the promise to give is made by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are excluded from revenues until the conditions are substantially met. At December 31, 2022, there were no conditional promises to give.

Contributed Nonfinancial Assets

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.

Contributed services are recognized as in-kind revenues at their estimated fair value if they require specialized skills that would need to be purchased if they are not donated. Contributed goods are recognized as in-kind revenues at their estimated fair value.

Functional Allocation of Expenses

Costs of providing program and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on usage and employee time.

Income Taxes

The Organization is exempt from federal and state Income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

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.

Concentrations

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

At December 31, 2022, approximately 74% of contributions receivable were from three donors.

Subsequent Events

The Organization has evaluated events through December 19, 2023, which is the date the financial statements were approved and available to be issued.

New Accounting Pronouncements Adopted in the Current Year

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach.

ASU No.2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. At the date of adoption, the Organization recorded operating lease right-of-use asset and lease liability of $61,509.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for the operating leases.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for its operating lease only. The Organization elected to use the incremental borrowing rates for its finance leases.

- The Organization elected not to apply the recognition requirements to leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 6.

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, accounts receivable, and contributions receivable. As of December 31, 2022, 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.

Cash	$ 14,200
Accounts receivable	2,000
Contributions receivable	277,430
Total	$ 293,630

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.

4. Property and Equipment, Net

Property and equipment, net, consists of the following as of December 31, 2022:

Vehicles	$ 46,955
Computer	3,651
Furniture and fixtures	2,783
	53,389
Less accumulated depreciation	(41,348)
Total	$ 12,041

5. Related Party Payable

The Organization receives donations on behalf of The Thirst Project, a related-party organization, from donors and sponsors. As such, the Organization recognized a related-party payable of $781,575, as of December 31, 2022. This payable does not accrue interest and $68,926 will be paid in 2022 and is classified as a current liability. The remaining balance of $712,649 will be paid in full in 2025 and, therefore, is classified as a noncurrent liability.

6. Commitments

Operating Leases

The Organization leases its office space under a noncancelable operating 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, 2022 was $28,620 and is included in supporting services in the accompanying statement of activities and statement of functional expenses.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

The Organization does not have any material leasing transactions with related parties.

The right-of-use assets and lease liabilities were calculated using a discount rate of 0.78%. As of December 31, 2022, the remaining lease term was 1.17 years.

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2022:

Years ending December 31:	
2023	$ 28,620
2024	4,770
Total lease payments	33,390
Less present value discount	(141)
Total lease liabilities	33,249
Less current portion	(28,481)
Long-term lease liabilities	$ 4,768

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 28,620
Operating lease right-of-use assets obtained in exchange for lease liabilities	61,509