

# **Legacy Youth Leadership**

Financial Statements

December 31, 2023

# Legacy Youth Leadership

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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, 2023, 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, 2023, 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  
October 15, 2024

# Legacy Youth Leadership

Statement of Financial Position

December 31, 2023

## Assets

### Current Assets

Cash	\$	81,668
Accounts receivable		2,000
Contributions receivable		470,390

Total current assets 554,058

### Operating Lease Right-of-Use Asset

4,768

### Other Assets

2,260

Total assets \$ 561,086

## Liabilities and Net Assets (Deficit)

### Current Liabilities

Accounts payable	\$	73,694
Accrued expenses		225,941
Obligation under operating lease		4,768

Total current liabilities 304,403

### Related Party Payable

515,513

Total liabilities 819,916

### Net Assets (Deficit)

Net deficit without donor restrictions	(729,220)
Net assets with donor restrictions	470,390

Total net deficit (258,830)

Total liabilities and net deficit \$ 561,086

See notes to financial statements

## Legacy Youth Leadership

Statement of Activities

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue</b>			
Donations and grants	\$ 1,357,577	\$ 380,500	\$ 1,738,077
Recognition of related party	489,330	-	489,330
Service trip revenue	30,342	-	30,342
Merchandise sales	365	-	365
Other income	10,000	-	10,000
Net assets released from restrictions	187,540	(187,540)	-
	<u>2,075,154</u>	<u>192,960</u>	<u>2,268,114</u>
<b>Expenses</b>			
Program services	1,463,351	-	1,463,351
Management and general	141,209	-	141,209
Fundraising	359,511	-	359,511
	<u>1,964,071</u>	<u>-</u>	<u>1,964,071</u>
Change in net assets	111,083	192,960	304,043
<b>Net Deficit, Beginning</b>	<u>(840,303)</u>	<u>277,430</u>	<u>(562,873)</u>
<b>Net Deficit, Ending</b>	<u>\$ (729,220)</u>	<u>\$ 470,390</u>	<u>\$ (258,830)</u>

See notes to financial statements

## Legacy Youth Leadership

### Statement of Functional Expenses

Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and benefits	\$ 658,326	\$ 57,221	\$ 208,105	\$ 923,652
Charitable contributions	328,380	-	-	328,380
Marketing	31,099	38,874	77,748	147,721
Outreach, schools	145,162	-	-	145,162
Insurance expenses	97,545	5,000	-	102,545
Leadership program	56,885	-	-	56,885
Fundraising expenses	-	-	56,486	56,486
Event expenses	40,308	-	10,077	50,385
Professional fees	42,463	2,500	2,500	47,463
Service learning trips	36,767	-	-	36,767
Office expenses	8,905	34,364	3,562	46,831
Scholarship program	10,000	-	-	10,000
Speaking program	5,706	-	-	5,706
Information technology	1,008	2,620	403	4,031
In-kind donations	630	630	630	1,890
Club program	167	-	-	167
Total expenses	<u>\$ 1,463,351</u>	<u>\$ 141,209</u>	<u>\$ 359,511</u>	<u>\$ 1,964,071</u>

See notes to financial statements

## Legacy Youth Leadership

### Statement of Cash Flows

Year Ended December 31, 2023

#### Cash Flows From Operating Activities

Change in net assets	\$ 304,043
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Recognition of related party	(489,330)
Amortization of operating lease right-of-use assets	28,620
Changes in operating assets and liabilities:	
Contributions receivable	(192,960)
Accounts payable	42,901
Accrued expenses	179,546
Operating lease liabilities	(28,620)
Related party payable	223,268
	<u>67,468</u>
Net cash provided by operating activities	<u>67,468</u>
Net increase in cash	67,468
<b>Cash, Beginning</b>	<u>14,200</u>
<b>Cash, Ending</b>	<u><u>\$ 81,668</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Cash paid during the year for interest	<u><u>\$ 14,195</u></u>

See notes to financial statements



# Legacy Youth Leadership

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Notes to Financial Statements

December 31, 2023

## 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, 2023.

**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, 2023, the Organization had \$470,390 restricted for the passage of time. During the year ended December 31, 2023, \$187,540 was released from its time restriction.

### 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, 2023.

### Contributions 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, 2023, the Organization had contributions receivable of \$470,390 which are expected to be received in 2024.

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, 2023, there was no allowance for doubtful accounts.

## Legacy Youth Leadership

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Notes to Financial Statements

December 31, 2023

### Leases

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 balance sheet. 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 non-cancelable lease term.

The 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 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.

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

### 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, 2023, 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.

# Legacy Youth Leadership

Notes to Financial Statements

December 31, 2023

## 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.

On December 31, 2023, approximately 46% of unrestricted donations were from three donors and 37% of contributions receivable were from two donors.

## Subsequent Events

The Organization has evaluated events through October 15, 2024, which is the date the financial statements were approved and 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, accounts receivable, and contributions receivable. As of December 31, 2023, 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	\$	81,668
Accounts receivable		2,000
Contributions receivable		<u>470,390</u>
Total	\$	<u><u>554,058</u></u>

## Legacy Youth Leadership

Notes to Financial Statements

December 31, 2023

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization also operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

### 4. Accrued Expenses

Accrued expenses consisted of the following as of December 31, 2023:

Payroll taxes payable	\$	113,347
Credit card payable		79,918
Accrued salaries		<u>32,676</u>
Total	\$	<u>225,941</u>

### 5. Related Party Payable

The Organization receives donations on behalf of The Thirst Project, a related party through common board membership, from donors and sponsors. As such, the Organization recognizes a related-party payable that does not accrue interest in its books as of year-end. As of December 31, 2023, the remaining balance of \$515,513 was 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, 2023 was \$28,620 and is included in office expenses in the accompanying 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.

## Legacy Youth Leadership

Notes to Financial Statements

December 31, 2023

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 asset and lease liability was calculated using a discount rate of 0.78%. As of December 31, 2023, the remaining lease term was two months.

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2023:

Years ending December 31: 2024	\$ 4,770
Less present value discount	<u>(2)</u>
Total lease liabilities	4,768
Less current portion	<u>(4,768)</u>
Long-term lease liabilities	<u><u>\$ -</u></u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 28,620
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