YOUTH EMPOWERMENT PROJECT

FINANCIAL REPORT

JUNE 30, 2012

YOUTH EMPOWERMENT PROJECT

TABLE OF CONTENTS

JUNE 30, 2012

Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette. III. CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Youth Empowerment Project
New Orleans, Louisiana

I have audited the accompanying statement of financial position of the Youth Empowerment Project (a non-profit organization) as of June 30, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Youth Empowerment Project's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Youth Empowerment Project as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 30, 2012, on my consideration of Youth Empowerment Project's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Reginald A. Bresette, LLC
Certified Public Accountant
December 10, 2012

4408 Yale Street, Suite A • Metairie, Louisiana 70006
(504) 885-9990 • FAX (504) 885-9959 • CELL (504) 874-2438 • E-MAIL reggie@bresetteco.com

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS		
Current Assets		
Cash and cash equivalents	$	555,851
Unconditional promises to give (Note 3)		687,250
Reimbursement receivable (Note 4)		136,781
Prepaid expenses		2,497
Total current assets		1,382,379
Assets restricted to investment in property, Furniture, and equipment (Note 5) Cost less accumulated depreciation		415,385
Security deposit		2,497
Total assets	$	1,800,261
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	16,004
Payroll taxes payable		13,826
Mortgage payable (Note 6)		15,337
Total current liabilities		45,167
Mortgage payable, net of current portion		261,310
Total liabilities		306,477
Unrestricted net assets		489,718
Temporarily restricted net assets (Note 8)		1,004,066
Total net assets		1,493,784
Total liabilities and net assets	$	1,800,261

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support, revenues and reclassifications			
Public support:			
Grants	$ 823,888	$ 1,051,584	$ 1,875,472
Contributions	98,191		98,191
Total public support	922,079	1,051,584	1,973,663
Reclassifications:			
Net assets released from restrictions due to satisfaction of time and purpose restrictions	865,418	(865,418)	
Total reclassifications	865,418	(865,418)	
Total support, revenues and reclassifications	1,787,497	186,166	1,973,663
Expenses			
Program services	1,328,414		1,328,414
Supporting services:			
Management and general	244,047		244,047
Fundraising	82,129		82,129
Total supporting services	326,176		326,176
Total expenses	1,654,590		1,654,590
CHANGES IN NET ASSETS	132,907	186,166	319,073
NET ASSETS AT THE BEGINNING OF THE YEAR	356,811	817,900	1,174,711
NET ASSETS AT THE END OF THE YEAR	$ 489,718	$ 1,004,066	$ 1,493,784

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
Increase (decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from the public support	$	1,873,944
Cash payments for operating expenses		(560,118)
Cash payments for employee salaries and benefits		(1,100,472)
Net cash provided (used) by operating activities		213,354
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, building and improvements		(387,978)
Net cash provided (used) by investing activities		(387,978)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of mortgage payable		278,000
Payments on mortgage payable		(1,353)
Net cash provided (used) by investing activities		276,647
Net increase (decrease) in cash and cash equivalents		102,023
Cash and cash equivalents at beginning of year		453,778
Cash and cash equivalents at end of year	$	555,801

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	$	319,073
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		5,259
(Increase) decrease in unconditional promises to give		(84,345)
(Increase) decrease in receivables		(15,324)
(Increase) decrease in prepaid expense		(2,497)
(Increase) decrease in security deposits		(2,497)
Increase (decrease) in accounts payable		(5,740)
Increase (decrease) in payroll taxes payable		(525)
Total adjustments		(105,669)
Net cash provided (used) by operating activities	$	213,404
Supplemental Information		
Interest expense	$	1,390

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

YOUTH EMPOWERMENT PROJECT
(A Not For Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES	SUPPORTING SERVICES MANAGEMENT & GENERAL	SUPPORTING SERVICES FUNDRAISING	SUPPORTING SERVICES TOTAL	TOTAL EXPENSE
Salaries	$ 746,688	$ 99,600	$ 63,812	$ 163,412	$ 910,100
Benefits	155,758	20,776	13,311	34,087	189,845
Accounting		38,792		38,792	38,792
Client Expense	65,890				65,890
Computers & Maintenance	631	11,368	632	12,000	12,631
Consultants	97,925				97,925
Counseling Sessions	12,502				12,502
Depreciation		5,259		5,259	5,259
Educational Tutor	91,531				91,531
General Insurance	24,673	6,579	1,645	8,224	32,897
Interest Expense		1,390		1,390	
Miscellaneous	12,970	4,323		4,323	17,293
Office Expense	12,657	37,972		37,972	50,629
Postage	439	1,317		1,317	1,756
Printing and Duplication	11,631				11,631
Rent (Note 7)	23,660	6,310	1,577	7,887	31,547
Support Services	33,300				33,300
Telephone	12,271	3,272	818	4,090	16,361
Training	3,621				3,621
Travel	17,262	5,754		5,754	23,016
Utilities	5,005	1,335	334	1,669	6,674
Total	$ 1,328,414	$ 244,047	$ 82,129	$ 326,176	$ 1,654,590

The accompanying notes are an integral part of these statements.

NOTE 1 – NATURE OF ACTIVITIES

The History and Mission of the Youth Empowerment Project (YEP):

"The Youth Empowerment Project (YEP) is a community-based 501(c)(3) non-profit organization. YEP's founders started the organization in 2004 in order to assist young people returning to New Orleans from correctional facilities. Since its inception, YEP has earned local and statewide recognition for being at the cutting edge of progressive programs for at-risk youth.

YEP started as the first-of-its-kind re-entry program for juvenile offenders in Louisiana and now we are the region's most comprehensive and established agency working with at-risk, court-involved and out-of-school youth. Post-Katrina, we expanded our original mission statement to meet the increased needs of our community. The mission of the Youth Empowerment Project is: "By providing intensive case management, mentoring and educational services to at-risk New Orleans youth, we will strengthen each young person's capacity to successfully connect with his or her family and community and lay the foundation for a healthy transition to adulthood."

YEP provides youth with GED and literacy services; job skill development and placement; mentoring; intensive case management; and a holistic set of client-centered ancillary wrap-around services that are unique to each youth and their individual circumstances. YEP operates out of five community service locations: three in Central City, one in the Mid-City neighborhood of New Orleans and one in St. Charles Parish. YEP currently serves approximately 1000 youths annually through our six programs.

The Community Need for YEP/Who YEP Serves:

There is a tremendous need for the array of high quality services that YEP provides to youth in our community. Across all of the Youth Empowerment Project's programs, we serve some of New Orleans' most vulnerable and under-served youth. More than 80 percent of our youth are growing up in single-parent households and 95 percent of these families have a female head of household. Nearly 90 percent of our youth are live below the poverty line, and 95 percent of our youths' parents have a high school education or less.

Furthermore, research shows that New Orleans youth are some of the most at-risk and disadvantaged in the country:

The Annie E. Casey Foundation's 2011 Kids Count report found that:

- 11 percent of Louisiana teens ages 16-19 are not in school and have not earned a high school diploma or a GED.
- Louisiana's teen-death rate has risen by 11 percent since 2000 and nearly half (46 percent) of all teen homicide victims were residents of Orleans Parish.
- 34 percent of the children in New Orleans live in poverty; the national average is 20 percent.

According to the Schott Foundation for Public Education, in 2009, only 39 percent of Louisiana's black males graduated from high school, compared to 59 percent of white males.

The Central City neighborhood where YEP's main office has been located since our inception is one of the most underserved and violent neighborhoods in New Orleans. According to the 2010 "City of New Orleans Neighborhood Market Drill Down," the median income of the Central City households is $18,114 and the unemployment rate of residents 16 and over is 47.3 percent.

Youth Empowerment Project Programs

YEP projects that we will serve over 1000 youths during the 2012-2013 fiscal year through our six programs that we operate out of five locations:

- Community Reintegration Program: YEP's Community Reintegration Program is the program that we originally started in 2004. While our mandate and clientele have expanded, our flagship program is still a key service of our organization. Through the provision of intensive, individualized case management and support services, YEP ensures that coordinated services are provided in meaningful and effective ways for youth making the very difficult and critical transitions home from non-secure and secure state facilities. We serve approximately 100 youth annually through this program.

- NOPLAY (New Orleans Providing Literacy to All Youth) Program: Founded in 2006, NOPLAY is the Youth Empowerment Project's educational program. Through NOPLAY, YEP provides GED and basic literacy instruction to out-of-school youth and young adults between the ages of 16-24. NOPLAY is the largest adult education provider in the city that specializes in providing educational services to out-of-school youth, and last year we provided over 750 young people with educational services.

- Community Based Mentoring (CBM) Program: In order to meet the needs of the larger community and to ensure that we reach youth early enough to prevent their involvement in the Juvenile Justice system. YEP implemented a Community-Based Mentoring program in July 2008. The CBM program targets youth ages 8-16 from the Greater New Orleans area who are not court-involved but are at-risk for engaging in delinquent behavior. CBM youth receive intensive mentoring and wrap-around services that help them to be successful at home, in school, and in their communities. YEP started a second pilot of our CBM program in St. Charles Parish in 2012.

- The Village Program: The Village program, established in 2009, is a self-contained, structured class at NOPLAY that provides youth ages 16-21with empowering, engaging and innovative instruction five days a week. In addition to traditional GED and literacy services, the Village program also provides youth with intensive, wrap-around case management, mentoring and supportive services, provided by Village social workers and youth advocates. Beginning in the fall of 2011. The Village doubled its current capacity in August 2011, as we now have the ability to serve 120 youth per year.

- Afterschool Enrichment Program: Founded in 2010, the Afterschool Enrichment Program provides Central City youth (grades 1-12) with tutoring, conflict resolution and supportive services. The Afterschool Program was created to ensure that Central City youth have a safe and engaging place to go to after they are done with school.

- Summer Camp: YEP started an annual Summer Camp in 2011. The Summer Camp provides Central City youth ages 7 - 15 with the opportunity to participate in a fun, free, and engaging summer opportunities. Many of these children would not have access to any other programs, as the camp fees and transportation challenges were prohibitive.

Overview of in-house Services Available to YEP Youth:

With six programs and a team of experts, YEP currently provides the following supportive services to our youth clients and their families:

1. Intensive and individualized case management services
2. Youth Mentors and Advocates
3. GED preparation; structured classes for students at a variety of skills levels; a drop-in center with flexible class hours; and one on one instruction
4. After-school tutoring
5. Family and individual mental health counseling
6. In-house substance abuse education groups
7. Transportation services for clients and families
8. Job readiness
9. Cultural/educational activities and field trips
10. Young men's awareness & empowerment groups
11. Anger management and violence prevention groups
12. Referrals to health and social service agencies
13. Assistance with basic needs
14. Educational advocacy and support
15. Post-secondary transition support

YEP's Partners:

Much of YEP's success can be attributed to our ability to create and maintain formal and informal partnerships with a wide range of stakeholders in the community. Some of our key collaborations include the following:

1. Louisiana Office of Juvenile Justice (OJJ) refers youth to YEP for our Community Reintegration and Mentoring programs and supports our efforts through fee-for-service contracts.
2. Orleans Parish Juvenile Court refers youth for case management, tutoring and GED services.
3. New Orleans Criminal District Court supports NOPLAY activities by referring young adults and providing financial support for staff and overhead.
4. Literacy Alliance of Greater New Orleans provides technical assistance and staff training.
5. Delgado Community College (DCC) is a partner with YEP through the Tulane Tower Learning Center Collaborative.
6. Juvenile Justice Project of Louisiana (JJPL) provides YEP with resources and support regarding advocating for clients in educational settings and looking into abuse allegations in secure facilities.
7. Raintree Children and Family Services is a non-profit social service organization that provides in-house, violence prevention and anger management services to YEP youth.

8. Café Reconcile is a community-based organization that provides youth with hospitality training.
9. Partnership for Youth Development provides YEP staff with technical assistance and free, evidenced- based training opportunities for youth advocates.
10. Urban Strategies (US) provides case management services to former public housing residents from one New Orleans community. They send us referrals for our Community-Based Mentoring program.
11. Families and Friends of Louisiana's Incarcerated Children (FFLIC) provides support to parents and staff concerned about the "school to prison pipeline" and provides them with advocacy tools.
12. Urban Impact Ministries sponsors YEP youth to attend a week-long leadership and sports camp in Missouri during the summer
13. Liberty's Kitchen provides referrals to our NOPLAY program and enrolls some of our students in their hospitality training program.
14. Covenant house provides assistance with emergency housing for youth.
15. NO AIDS Taskforce provides peer training regarding health-related issues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958, *Not-For-Profit Entities*. Under Topic 958, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of YEP and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met by actions of YEP. These restrictions are considered to expire when payments for restricted purposes are met.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for YEP.

Uncertain Tax Positions - YEP recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of June 30, 2012, YEP did not have any uncertain tax positions. Tax years ended June 30, 2009 and later remain subject to examination by taxing authorities.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 10, 2012, which is the date the financial statements were available to be issued.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as in increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash equivalents - For purposes of the statement of cash flows, YEP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

YEP maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. YEP has not experienced any losses in such accounts. YEP believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fixed assets - All expenditures for leasehold improvements and equipment are capitalized.

Depreciation on property and improvements is provided by using the straight-line method over the estimated life of 31.5 years. Depreciation on equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

Income taxes - YEP is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE:

During the year YEP entered into contracts representing unconditional promises to give as follows:

Various grant agreements were established during the year in which $1,147,584 has been awarded. At June 30, 2012 funds of $460,334 have been received.

In summary, unconditional promises to give at June 30, 2012 and expected to be collected in the future total $687,250.

NOTE 4 – REIMBURSEMENTS RECEIVABLE

YEP has incurred expenses related to providing services to court-involved, at-risk, and out of school youths at June 30, 2012, in excess of contract fees for services received at that date. A receivable has been recorded on these cases for the excess expenses as follows:

Louisiana Community and Technical	$21,454
New Orleans P & J Foundation	11,738
Louisiana Office of Youth Development	44,775
New Orleans Criminal District Court	25,164
Urban Strategies	33,650
	$136,781

NOTE 5 – PROPERTY FURNITURE AND EQUIPMENT

Property, furniture and equipment consisted of the following at June 30, 2012.

Building	$ 320,000
Land	78,000
Improvements	9,977
Furniture and Equipment	24,767
Less: accumulated depreciation	(17,359)
Net book value	$ 415,385

Depreciation expense for the year ended June 30, 2012 was $5,259.

NOTE 6 – MORTGAGE PAYABLE

YEP is the maker of a mortgage note payable in the original amount of $278,000 at 6.0% per annum interest. The mortgage is to be paid in equal monthly installments of $2,743, which includes principal and interest. The note is secured by a first mortgage on the land and building located at 1529 Oretha Castle Haley Blvd.. As of June 30, 2012, the principal balance of the note is $276,647, of which $15,337 is due within the next twelve months. As of June 30, 2012, the note is in current condition.

Maturities of the mortgage payable for each of the next five years and thereafter are as follows:

2012 - 2013	$15,337
2013 - 2014	17,719
2014 - 2015	18,813
2015 - 2016	19,972
2016 - 2017	21,205
Thereafter	183,601
	$276,647

A final installment in the amount of the remaining unpaid balance of principal and interest is due and payable on March 1, 2024.

NOTE 7 – LEASE COMMITMENTS

YEP leased office space for their main administration office in New Orleans, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2012. The lease expires December 2014. Future minimum lease payments at June 30, 2012 are $72,413.

Rent expense incurred under this lease was $14,982 for the year ended June 30, 2012.

YEP also leased a satellite office for employee access in Luling, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2012. The lease expires December 2013. Future minimum lease payments at June 30, 2012 are $8,500.

Rent expense incurred under this lease was $1,000 for the year ended June 30, 2012.

NOTE 8- TEMPORARY RESTRICTIONS ON ASSETS:

Temporarily restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. At June 30, 2012, temporarily restricted net assets are available for the following purposes:

Highland Street Foundation – Grant agreement for the period of November 2011 through October 2013, and restricted for program operations; funds under this grant were recorded as income and totaled $25,000 in 2011-12 Since inception $8,333 has been expended for grant purposes	$16,667
TJX Foundation – Grant agreement for the period of January 2012 through December 2012 for program operations; funds under this grant were recorded as income and totaled $2,500 in 2011-12; Since inception $1,250 has been expended for grant purposes	1,250

The Greater New Orleans Foundation – Grant agreement for the period of January 2012 through January 2014 for program operations; funds under this grant were recorded as income and totaled $210,548 in 2011-12; Since inception $43,864 has been expended for grant purposes	166,684
The Greater New Orleans Foundation – Grant agreement for the period of April 2012 through September 2012 for program operations; funds under this grant were recorded as income and totaled $10,000 in 2011-12; Since inception $3,333 has been expended for grant purposes	6,667
Iberia Bank – Grant agreement for the period of July 2012 through June 2013 for program operations; funds under this grant were recorded as income and totaled $15,000 in 2011-12;	15,000
Baptist Community Ministries – Grant agreement for the period of March 2012 through September 2012 for program operations: funds under this grant were recorded as income and totaled $31,750 in 2011-12. Since inception $15,875 has been expended for grant purposes	15,875
W. K. Kellogg Foundation – Grant agreement for the period of June 2012 through September 2012, and restricted for program operations; funds under this grant were recorded as income and totaled $86,786 in 2011-12: Since inception $21,696 has been expended for grant purposes	65,090
Open Society Institute – Grant agreement for the period of May 2011 through April 2013 for program operations; funds under this grant were recorded as income and totaled $200,000 in 2010-11; Since inception $116,667 has been expended for grant purposes	83,333
W. K. Kellogg Foundation – Grant agreement for the period of May 2012 through April 2014 for program operations; funds under this grant were recorded as income and totaled $300,000 in 2011-12; Since inception $25,000 has been expended for grant purposes	275,000
Baptist Community Ministries – Grant agreement for the period of November 2011 through September 2012, and restricted for program operations; funds under this grant were recorded as income and totaled $95,000 in 2011-12; Since inception $66,500 has been expended for grant purposes	28,500
Tides Foundation – Grant agreement for the period of July 2011 through June 2014 for program operations: funds under this grant were recorded as income and totaled $495,000 in 2010-11: Since inception $165,000 has been expended for grant purposes	330,000
Total temporarily restricted funds – June 30, 2012	$1,004,066

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Ann and Robert S. Boh Family Fund	$ 100,000
Baptist Community Ministries	122,375
Dr. Phil Foundation	6,667
GNO Afterschool Partnership	3,334
Goldring Foundation	25,000
Highland Street Foundation	8,333
Institute of Mental Hygiene	50,000
One Economy Foundation	2,400
Open Society Institute	100,000
Rose Mary Foundation	100,000
S. L. Gimbel Foundation	2,000
The Greater New Orleans Foundation	47,197
Tides Foundation	165,000
TJX Foundation	1,250
W.K. Kellogg Foundation	65,195
Wisner Fund	25,000
Woldenberg Foundation	25,000
Youth Justice Funding Collaborative	16,667
Total net assets released	$ 865,418

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supported services benefited.

NOTE 10 – CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

YEP receives grants and contracts for services from the public and foundations which comprises the majority of its revenue.

NOTE 11 - LITIGATION AND CLAIMS:

There is no pending litigation against YEP at June 30, 2012. Furthermore, the management of YEP believes that any potential lawsuits would be adequately covered by insurance.

NOTE 12 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

SPECIAL REPORTS OF INDEPENDENT AUDITOR

Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
Youth Empowerment Project

I have audited the financial statements of Youth Empowerment Project (the Company) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued my report there on dated December 10, 2012 I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Company's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2012-1 and 2012-2.

4408 Yale Street, Suite A • Metairie, Louisiana 70006
(504) 885-9990 • FAX (504) 885-9959 • CELL (504) 874-2438 • E-MAIL reggie@bresetteco.com

The Company's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Company's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana, the Legislative Auditor for the State of Louisiana, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Reginald A. Bresette, III LLC
Certified Public Accountant

December 10, 2012

SCHEDULE OF FINDINGS AND REPONSES

For the Year Ended June 30, 2012

I have audited the financial statements of Youth Empowerment Project (the Company) (YEP) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 10, 2012. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. My audit of the financial statements as of June 30, 2012, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses – None   Significant Deficiencies – Yes

Compliance
Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2012-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. In this case I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Management's Response: We concur with the audit finding.

2012-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. I recommend that the organizations's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The company's executive director and board concur with the recommendation.

b. Federal Awards

Internal Control

Material Weaknesses – None   Reportable Conditions – None

Compliance

Compliance Material to Financial statements - No

Compliance Immaterial to Financial statements - No

Section II Financial Statement Findings

There were no financial statement findings during the fiscal year ended June 30, 2012.

Section III Federal Award Findings and Questioned Costs

None.

SPECIAL REPORTS OF MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weaknesses – None   Responses – None

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2011-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the audit finding.

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

For the Year Ended June 30, 2012

2011-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The Company's executive director and board concur with the recommendation.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2011.

MANAGEMENT CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the financial statements.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, YEP had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2011.