

# Philadelphia Youth Network, Inc.

Financial Statements and Supplemental Information

Years Ended June 30, 2021 and 2020



**WIPFLI**

## **Independent Auditor's Report**

To the Board of Directors  
Philadelphia Youth Network, Inc.  
Philadelphia, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Philadelphia Youth Network, Inc. (PYN), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements of the *City of Philadelphia Subrecipient Audit Guide*. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Youth Network, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of Federal, State and City awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* and the *City of Philadelphia Subrecipient Audit Guide*, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying supplemental schedules are required by the City of Philadelphia Subrecipient Audit Guide, as follows: City of Philadelphia Department of Human Services (Section 2000)-Report of Revenue by Functional Program, Report of Functional Expenditures, and Report of Excess Revenue. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards and City of Philadelphia Subrecipient Audit Guide***

In accordance with *Government Auditing Standards* and the *City of Philadelphia Subrecipient Audit Guide*, we have also issued our report dated October 29, 2021, on our consideration of PYN's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the *City of Philadelphia Subrecipient Audit Guide* in considering PYN's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

October 29, 2021  
Philadelphia, Pennsylvania

# Philadelphia Youth Network, Inc.

## Statements of Financial Position

<i>As of June 30, 2021 and 2020</i>	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,634,484	\$ 6,325,620
Grants and contracts receivable	5,154,129	3,917,060
Prepaid expenses	74,725	67,748
Total Current Assets	14,863,338	10,310,428
PROPERTY AND EQUIPMENT - NET	203,222	313,936
SECURITY DEPOSITS	47,410	47,410
TOTAL ASSETS	\$ 15,113,970	\$ 10,671,774
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable, subcontractors	\$ 3,592,955	\$ 2,497,101
Accounts payable, other	490,046	116,944
Accrued expenses	65,915	308,712
Deferred revenue and refundable advances	1,898,728	1,266,121
Total Current Liabilities	6,047,644	4,188,878
NET ASSETS		
Net assets without donor restrictions	5,498,400	4,101,135
Net assets with donor restrictions	3,567,926	2,381,761
Total Net Assets	9,066,326	6,482,896
TOTAL LIABILITIES AND NET ASSETS	\$ 15,113,970	\$ 10,671,774

See accompanying notes to financial statements.

# Philadelphia Youth Network, Inc.

## Statements of Activities and Changes in Net Assets

<i>Years Ended June 30, 2021 and 2020</i>	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Grants and contracts	\$ 16,279,785	\$ -	\$ 16,279,785	\$ 17,185,634	\$ -	\$ 17,185,634
Contributions	399,788	2,407,750	2,807,538	367,542	1,895,975	2,263,517
Other fees	511,851	-	511,851	224,963	-	224,963
Interest income	196	-	196	10	-	10
Net assets released from restriction	1,221,585	(1,221,585)	-	265,949	(265,949)	-
Total Support and Revenues	18,413,205	1,186,165	19,599,370	18,044,098	1,630,026	19,674,124
<b>OPERATING EXPENSES</b>						
Youth program services	15,232,137	-	15,232,137	15,621,703	-	15,621,703
Management and general	1,602,441	-	1,602,441	1,651,163	-	1,651,163
Fundraising	181,362	-	181,362	268,197	-	268,197
Total Operating Expenses	17,015,940	-	17,015,940	17,541,063	-	17,541,063
CHANGE IN NET ASSETS	1,397,265	1,186,165	2,583,430	503,035	1,630,026	2,133,061
NET ASSETS - BEGINNING OF YEAR	4,101,135	2,381,761	6,482,896	3,598,100	751,735	4,349,835
NET ASSETS - END OF YEAR	\$ 5,498,400	\$ 3,567,926	\$ 9,066,326	\$ 4,101,135	\$ 2,381,761	\$ 6,482,896

See accompanying notes to financial statements.

# Philadelphia Youth Network, Inc.

## Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	2021			Total
	Youth Program Services	Management and General	Fundraising	
Salaries and wages	\$ 2,057,747	\$ 805,904	\$ 112,195	\$ 2,975,846
Fringe benefits	554,310	217,092	30,225	801,627
Professional fees	747,252	159,890	-	907,142
Occupancy costs	586,473	130,160	14,072	730,705
Printing and reproduction	1,438	563	79	2,080
Consulting	809,057	-	-	809,057
Travel, meetings and conferences	11,391	4,461	621	16,473
Telephone and communication	78,596	30,781	4,285	113,662
Insurance	50,229	19,672	2,738	72,639
Small office devices and rentals	9,923	3,886	542	14,351
Supplies	30,805	12,065	1,679	44,549
Student wages and incentives	4,583,202	-	-	4,583,202
Student costs - fringe benefits and other	281,213	-	-	281,213
Subcontractors' expense	5,156,649	-	-	5,156,649
Depreciation	-	110,714	-	110,714
Other expenses	273,852	107,253	14,926	396,031
<b>Total</b>	<b>\$ 15,232,137</b>	<b>\$ 1,602,441</b>	<b>\$ 181,362</b>	<b>\$ 17,015,940</b>

See accompanying notes to financial statements.

# Philadelphia Youth Network, Inc.

## Statement of Functional Expenses

<i>Year Ended June 30, 2020</i>	2020			Total
	Youth Program Services	Management and General	Fundraising	
Salaries and wages	\$ 2,064,625	\$ 880,541	\$ 120,373	\$ 3,065,539
Fringe benefits	546,448	233,054	31,859	811,361
Professional fees	235,095	94,369	217	329,681
Occupancy costs	552,931	122,715	13,268	688,914
Printing and reproduction	2,667	1,137	156	3,960
Consulting	224,093	3,010	78,200	305,303
Travel, meetings and conferences	59,579	25,410	3,473	88,462
Telephone and communication	70,356	30,006	4,101	104,463
Insurance	33,549	14,309	1,956	49,814
Small office devices and rentals	19,407	8,277	1,131	28,815
Supplies	43,298	18,466	2,526	64,290
Student wages and incentives	5,818,060	-	-	5,818,060
Student costs - fringe benefits and other	584,993	-	-	584,993
Subcontractors' expense	5,179,019	-	-	5,179,019
Depreciation	-	139,867	-	139,867
Other expenses	187,583	80,002	10,937	278,522
<b>Total</b>	<b>\$ 15,621,703</b>	<b>\$ 1,651,163</b>	<b>\$ 268,197</b>	<b>\$ 17,541,063</b>

See accompanying notes to financial statements.

# Philadelphia Youth Network, Inc.

## Statements of Cash Flows

<i>Years Ended June 30, 2021 and 2020</i>	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,583,430	\$ 2,133,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,714	139,867
Change in operating assets and liabilities:		
Grants and contracts receivable	(1,237,069)	802,053
Prepaid expenses	(6,977)	(49,404)
Accounts payable, subcontractors	1,095,854	(291,102)
Accounts payable, other	373,102	(208,205)
Accrued expenses	(242,797)	(346,893)
Deferred revenue and refundable advances	632,607	(868,086)
Net Cash Provided by Operating Activities	3,308,864	1,311,291
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,308,864	1,311,291
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,325,620	5,014,329
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,634,484	\$ 6,325,620

See accompanying notes to financial statements.



# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Activities**

Philadelphia Youth Network, Inc. (“PYN”) is a Pennsylvania, non-profit corporation. PYN is a solutions-builder forging together significant players to alleviate a root cause of poverty by preparing 12 to 24 year-olds to become productive working adults. Our work is grounded in the understanding that young people need access to both education and employment, proven factors in being prepared for a career. With a track record of increasing impact, PYN funds and brokers action with the right partners to collectively address barriers. PYN constructs systems to create change, while innovating to meet evolving needs. Together with our partners, PYN dramatically changes the trajectory of individuals’ lives by giving voice to underserved youth, and ultimately creating a pipeline for an educated, engaged workforce. For more information, visit [www.pyninc.org](http://www.pyninc.org).

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

PYN considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### **Property and Equipment**

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful lives of the assets utilizing the straight-line method. At the time of retirement or other disposition of assets, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in the statements of activities and changes in net assets.

Contributed property and equipment is recorded at fair value at the date of donation. Contributions with donor imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property and Equipment (Continued)

The following are the estimated useful lives of the assets by asset class:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture and equipment	3-7
Leasehold improvements	Term of lease

#### Net Assets

Net assets are classified based on the existence or presence of donor-imposed restrictions. Accordingly, net assets of PYN and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor or certain grantor restrictions. 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 PYN. Certain restrictions may need to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Contributions and Promises to Give

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Contributions and Promises to Give** (Continued)

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received. Funds received in advance of their use are accounted for as deferred revenue in the statements of financial position.

PYN follows the allowance method of providing for doubtful grants and contracts receivable. It is PYN's policy to charge off uncollectible accounts when management determines that receivables will not be collected. As of June 30, 2021 and 2020, management determined that no allowance was deemed necessary.

#### **Revenue Recognition**

##### Grants and Contracts

Grant awards are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

*Grant awards that are contributions* - Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Topic 958-605. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in advance of the related allowable expenses or asset acquisitions are reflected as deferred revenue in the statements of financial position.

*Grant awards that are exchange transactions* - Exchange transactions typically reimburse based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 606. The revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There were no grant awards that were considered exchange transactions during the years ended June 30, 2021 and 2020.

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition** (Continued)

##### Other Fees

PYN derives approximately 1-3% of its revenues from providing temporary staffing and consulting services to businesses in the Philadelphia marketplace. Performance obligations are determined based on the nature of the services provided. PYN recognizes revenue for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. PYN believes that this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligation. Generally, performance obligations are satisfied over time related to these services rendered. Direct costs of temporary staffing and consulting services consist of payroll, payroll taxes and benefit costs for PYN's employees, as well as reimbursable expenses. Service revenues are presented in the statements of activities and changes in net assets as Other Fees and represent services rendered to customers less variable consideration, such as sales adjustments and allowances. Reimbursements, including those related to travel and out-of-pocket expenses, are also included in service revenues, and equivalent amounts of reimbursable expenses are included in other expenses. Revenue from contracts with customers are recognized in the amount to which PYN has a right to invoice, when the services are rendered by PYN. PYN records temporary staffing revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. PYN has concluded that gross reporting is appropriate because PYN (i) has the risk of identifying and hiring qualified employees, (ii) has the discretion to select employees and establish their price and duties and (iii) bears the risk for services that are not fully paid for by customers.

PYN determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the continuation of program service contracts with governmental and other entities, their budgeting processes and the related timing of payments. Any adverse changes in the local economy may have an adverse impact on the ability of customers to contract with and pay PYN.

##### Contract Balances

Grants and contracts receivable for which PYN receives payment under cost reimbursement, prospective payment formulas, or negotiated rates, which cover the majority of services, are stated at the estimated net amounts receivable from payers.

When there is an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Grants and contracts receivable, including billed accounts and unbilled accounts, which have the unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are recorded as receivables since the right to consideration is unconditional and the only the passage of time is required before payment of that consideration is due (as described in Note 3).

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Functional and Cost Allocation**

The costs of providing program services have been summarized on a functional basis in the statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program are charged directly. Administrative expenses are allocated to individual programs and supporting services based on the individual program and supporting services' share of direct costs. Costs specific to shared building occupancy, including depreciation, are accumulated and allocated based on program usage of the building.

#### **Income Taxes**

PYN is a private not-for-profit corporation and, accordingly, is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). PYN is also exempt from state and local taxes under applicable statutes. PYN is not classified as a private foundation.

Management has reviewed tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. Open periods subject to audit for federal purposes are generally the previous three years of tax returns filed.

#### **Change in Accounting Policy**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the year ended June 30, 2021, PYN applied Topic 606 on a retrospective basis and elected the practical expedient in paragraph FASB ASC 606-10-65-1(f)(1), under which an entity need not restate contracts that begin and are completed within the same annual reporting period. There was no change to reported revenue, net assets, or the change in net assets for either period presented.

#### **Recently Issued Accounting Standards**

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. Management is evaluating what impact this new standard will have on its financial statements and this standard update is effective for PYN's June 30, 2023 fiscal year end.

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

### Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>June 30,</i>	2021	2020
Cash and cash equivalents	\$ 9,634,484	\$ 6,325,620
Grants and contracts receivable	5,154,129	3,917,060
Financial assets before adjustments	14,788,613	10,242,680
Less: Restricted contributions included in cash and cash equivalents, and receivables	(3,567,926)	(2,381,761)
Less: Deferred revenue	(1,898,728)	(1,266,121)
Total	\$ 9,321,959	\$ 6,594,798

PYN does not have a formal liquidity policy but generally maintains financial assets in a liquid form, such as cash and cash equivalents, for approximately two months of program expenses. To manage liquidity, PYN maintains a line of credit with a bank (as described in Note 5) and is drawn upon during the year to manage cash flow. As of June 30, 2021 and 2020, there were no outstanding balances on the line of credit.

### Note 3: Grants, Contract Receivable, Deferred Revenue and Refundable Advances

PYN operates its programs with funding from various grants and contracts. At June 30, 2021 and 2020, PYN was due certain amounts from funding sources for expenditures incurred or services rendered in excess of payments received. PYN also received funds in excess of expenditures on certain grants and contracts, which resulted in deferred revenue. The following details the receivables and deferred revenue at June 30, 2021 and 2020:

#### GRANTS AND CONTRACTS RECEIVABLE

Funding Agency	2021	2020
Philadelphia Works, Inc. (PWI)	\$ 1,755,107	\$ 1,363,779
School District of Philadelphia	149,331	43,712
City of Philadelphia - DHS	2,188,058	1,604,903
JPMC	500,000	-
Santander Bank	150,000	-
William Penn Foundation	-	300,000
Other	411,633	604,666
	\$ 5,154,129	\$ 3,917,060

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

### Note 3: Grants, Contract Receivable, Deferred Revenue and Refundable Advances

(Continued)

Included in grants and contracts receivable as of June 30, 2021 are promises to give of \$1,028,925. Of which \$978,925 is due in less than one year and \$50,000 is due in two years.

#### DEFERRED REVENUE AND REFUNDABLE ADVANCES

Funding Agency	2021	2020
William Penn Foundation	\$ 256,795	\$ 79,430
Private Sector - Employer Paid Internships	223,224	488,276
The Skillman Foundation	-	196,780
PA DCED - Summer Jobs and Internships	799,940	-
Bank of America	131,476	131,476
JP Morgan	242,267	-
Independence Blue Cross	88,000	88,000
Other	157,026	282,159
	<u>\$ 1,898,728</u>	<u>\$ 1,266,121</u>

### Note 4: Property and Equipment

A summary of property and equipment is as follows as of June 30:

	2021	2020
Furniture and equipment	\$ 1,573,000	\$ 1,573,000
Leasehold improvements	149,578	149,578
	<u>1,722,578</u>	<u>1,722,578</u>
Accumulated depreciation	<u>(1,519,356)</u>	<u>(1,408,642)</u>
	<u>\$ 203,222</u>	<u>\$ 313,936</u>

Depreciation expense was \$110,714 for 2021 and \$139,867 for 2020.

# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### Note 5: Line of Credit

In May 2019, PYN obtained a credit facility allowing the Organization to borrow \$3,300,000 during the period of each year between June 1 and November 30, and \$1,000,000 during the period of each year between December 1 and May 31. In April 2020, the agreement was amended to borrow \$3,300,000 during the term of the loan. The revolving term note is secured by PYN's accounts receivable and bears interest at the rate of the 30-day LIBOR plus two-hundred and twenty-five basis points (2.35% effective rate at June 30, 2021 and 3.02% for 2020). In August 2021, the agreement was amended to extend the expiration date to April 15, 2022. No amounts were outstanding at June 30, 2021 and 2020.

### Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows as of June 30:

	2021	2020
Summer program	\$ 3,557,926	\$ 2,371,761
Other	10,000	10,000
	<u>\$ 3,567,926</u>	<u>\$ 2,381,761</u>

### Note 7: Concentrations, Risks and Uncertainties

Financial instruments that potentially subject PYN to concentration of credit risk consist principally of cash, and grants and contracts receivable. PYN maintains its cash in interest bearing bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2021, the amount exceeding federal deposit insurance was approximately \$10,100,000. Management monitors the stability of the financial institutions to limit its concentration of credit risk. Concentrations of credit risk with respect to grants and contracts receivable are limited since PYN's funding is primarily either pass-through or direct from Federal, State and City government agencies. For each of the years ended June 30, 2021 and 2020, approximately 80% and 85%, respectively, of PYN's funding was derived from governmental agencies.

### Note 8: Retirement Plan

PYN has a contributory defined contribution plan for those employees who meet the eligibility requirements. Employees must have worked at least 1,000 hours annually and have reached 21 years of age to be eligible for the plan. The employer's matching contribution is equal to 100 percent of the first 3 percent of the employees' contribution and 50 percent on the employees' contribution in excess of 3 percent up to 5 percent. Pension expense amounted to \$75,169 for 2021 and \$62,694 for 2020.



# Philadelphia Youth Network, Inc.

## Notes to Financial Statements

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### Note 9: Operating Leases

PYN leases office space at multiple locations under non-cancelable leases that expire in November 2025. Rent expense amounted to \$729,989 for 2021 and \$687,462 for 2020. These amounts are reported in occupancy costs in the statements of functional expenses. Minimum future annual rentals for the remaining lease terms are as follows:

Year ending	Amount
2022	\$ 647,758
2023	421,266
2024	347,307
2025	340,817
2026	166,893
Total	\$ 1,924,041

### Note 10: Subsequent Events

PYN has evaluated subsequent events through October 29, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, PYN has determined that no subsequent events have occurred which require disclosure in the financial statements.

## **SUPPLEMENTAL INFORMATION**

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**Philadelphia Youth Network, Inc.**  
**Schedule of Expenditures of Federal, State and City Awards**  
**Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>Federal Expenditures</b>				
U.S. Department of Labor:				
Workforce Innovation and Opportunity Act Cluster				
Pass-through Philadelphia Works, Inc.				
WIOA Youth Activities	17.259	Y121-015	\$ -	\$ 175,000
WIA/WIOA Dislocated Worker Formula Grants	17.259	PW21-128	-	10,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	PW21-043	-	13,003
WIA/WIOA Dislocated Worker Formula Grants	17.278	PW20-167	50,066	553,657
Total Workforce Innovation and Opportunity Act Cluster				751,660
Pass-through Philadelphia Works, Inc.				
H-1B Job Training Grants	17.268	PW 17-101	-	8,097
Total U.S. Department of Labor				759,757
U.S. Department of Education:				
Pass-through the School District of Philadelphia				
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	933/F18	-	138,855
Total U.S. Department of Education				138,855
U.S. Department of Health and Human Services:				
TANF Cluster				
Pass-through Philadelphia Works, Inc.				
Temporary Assistance for Needy Families ("TANF")	93.558	Y121-015	2,503,070	6,050,251
Total U.S. Department of Health and Human Services				6,050,251
Total Federal Expenditures			\$	<u>6,948,863</u>

See Independent Auditor's Report.

See accompanying Notes to Schedule of Expenditures of Federal, State and City Awards.

**Philadelphia Youth Network, Inc.**  
Schedule of Expenditures of Federal, State and City Awards  
Year Ended June 30, 2021

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b><u>State Expenditures</u></b>				
Pennsylvania Department of Public Welfare				
Pass-through City of Philadelphia Department of Human Services				
E3 Power Centers	N/A	18-20070	\$ 1,068,462	\$ 1,277,551
Achieving Independence Center	N/A	21-20202	N/A	298,636
Work Ready Program Services - Child Welfare	N/A	18-20069	426,309	2,020,466
Work Ready Program Services - Juvenile Justice	N/A	18-20069	96,214	456,003
Work Ready Summer Employment Program	N/A	18-20069	557,913	2,606,961
Total State Expenditures				6,659,617
<b><u>City Expenditures</u></b>				
City of Philadelphia Department of Human Services				
Direct program				
E3 Power Centers	N/A	18-20070	267,116	319,388
Achieving Independence Center	N/A	21-20202	N/A	74,659
Work Ready Program Services - Child Welfare	N/A	18-20069	106,557	505,116
Work Ready Program Services - Juvenile Justice	N/A	18-20069	24,054	114,001
Work Ready Summer Employment Program	N/A	18-20069	137,514	651,740
Total City Expenditures				1,664,904
<b>Total Federal, State and City Expenditures</b>			<b>\$ 15,273,384</b>	

See Independent Auditor's Report.

See accompanying Notes to Schedule of Expenditures of Federal, State and City Awards.

# Philadelphia Youth Network, Inc.

## Notes to Schedule of Expenditures of Federal, State and City Awards

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### **1 - Basis of Presentation**

The accompanying schedule of expenditures of federal, state and city awards (the "Schedule") includes the federal, state and city grant activity of Philadelphia Youth Network, Inc. ("PYN") under programs of the federal, state and city governments for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of PYN, it is not intended to and does not present the financial position, changes in net assets or cash flows of PYN.

### **2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement. PYN has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## **Independent Auditor's 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  
Philadelphia Youth Network, Inc.  
Philadelphia, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Philadelphia Youth Network, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Philadelphia Youth Network, Inc.'s internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Philadelphia Youth Network, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Philadelphia Youth Network, Inc.'s internal control.

*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 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Philadelphia Youth Network, Inc.'s financial statements are free from material misstatement, we 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Philadelphia Youth Network, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Philadelphia Youth Network, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

October 29, 2021  
Philadelphia, Pennsylvania

## **Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Philadelphia Youth Network, Inc.  
Philadelphia, Pennsylvania

### **Report on Compliance for the Major Federal Program**

We have audited Philadelphia Youth Network, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2021. Philadelphia Youth Network, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Philadelphia Youth Network, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Philadelphia Youth Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Philadelphia Youth Network, Inc.'s compliance.

### **Opinion on the Major Federal Program**

In our opinion, Philadelphia Youth Network, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.



## Report on Internal Control Over Compliance

Management of Philadelphia Youth Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Philadelphia Youth Network, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Philadelphia Youth Network, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance*, is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

October 29, 2021  
Philadelphia, Pennsylvania

# Philadelphia Youth Network, Inc.

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2021

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#### Section I - Summary of Auditors' Results

##### Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

##### Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No

Identification of major programs:

CFDA/Award Number	Name of Federal/State Program
93.558	Temporary Assistance for Needy Families

Auditee qualifies as a low-risk auditee Yes

#### Section II - Financial Statement Findings

No matters were reported

#### Section III - Federal Award Findings and Questioned Costs

No matters were reported

#### Section IV - Summary Schedule of Prior Year Findings

No matters were reported

# **Supplemental Financial Schedules and Reports on City of Philadelphia Contracts**

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REPORT OF REVENUE BY FUNCTIONAL PROGRAM Year Ended: June 30, 2021		Agency: Philadelphia Youth Network, Inc. Address: 400 Market Street, Suite 200 Philadelphia, PA 19106			City of Philadelphia Department of Human Services		
Sources of Revenue		Total All Functions	E3	AIC	Summer	Juvenile	Non-DHS Services
60	<b>Federal Government</b>						
61							
62							
63							
64							
65							
66	Department of Health and Human Services	6,050,157	-	-	-	-	6,050,157
67	Department of Labor	759,757	-	-	-	-	759,757
68	Department of Education	138,855	-	-	-	-	138,855
69							
70							
71	<b>State Government</b>						
72	Commonwealth of PA Act 148 Funds / General Funds	8,324,520	1,596,938	373,295	5,784,283	570,004	-
73							
74							
75							
76	City of Philadelphia	76,315	-	-	-	-	76,315
77							
78							
79							
80							
81							
82							
83	Other (Specify) EITC, Contribution, Misc Income	1,110,776	-	-	-	-	1,110,776
84	School District of Philadelphia - CTE	135,407	-	-	-	-	135,407
85							
86	Investment Income - Misc inc	5,253	-	-	-	-	5,253
87							
88							
89							
90	Foundations	2,034,148	-	-	-	-	2,034,148
91	United Way	215,121	-	-	-	-	215,121
92							
93	Client Fee	749,061	-	-	-	-	749,061
94							
95	<b>Grand Total</b>	<b>19,599,370</b>	<b>1,596,938</b>	<b>373,295</b>	<b>5,784,283</b>	<b>570,004</b>	<b>11,274,850</b>

See Independent Auditor's Report

REPORT OF FUNCTIONAL EXPENDITURES Year Ended: June 30, 2021		Agency: Philadelphia Youth Network, Inc. Address: 400 Market Street, Suite 200 Philadelphia, PA 19106			City of Philadelphia Department of Human Services		
Object of Expense		Total All Functions	E3	AIC	Summer	Juvenile	Non-DHS Services
1	Salaries and Wages						
2	Professional	2,975,846	159,538	9,550	1,032,484	101,745	1,672,529
3							
4							
5							
6	FICA (Employer's Share)	229,584	11,467	699	7,477	75,871	134,070
7	Unemployment Compensation	69,947	3,284	200	2,142	21,735	42,586
8	Workers Compensation	43,104	2,070	126	1,349	13,696	25,863
9	Employee Benefits	458,992	25,327	1,545	16,511	167,547	248,062
10	Other (Specify): Indirect Costs						
11	Total Social Service & Child Care	3,777,473	201,686	12,120	1,059,963	380,594	2,123,110
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	TOTAL SALARIES AND WAGES	3,777,473	201,686	12,120	1,059,963	380,594	2,123,110

See Independent Auditor's Report

REPORT OF FUNCTIONAL EXPENDITURES Year Ended: June 30, 2021		Agency: Philadelphia Youth Network, Inc. Address: 400 Market Street, Suite 200 Philadelphia, PA 19106				City of Philadelphia Department of Human Services	
Object of Expense		Total All Functions	E3	AIC	Summer	Juvenile	Non-DHS Services
OPERATING EXPENSE & ADMIN							
31	Professional Fees and Contract Pmts	6,872,848	1,355,708	5,050	1,718,302	169,329	3,624,459
32	Supplies	44,549	284	17	1,666	16,903	25,679
33	Telephone	93,927	4,275	186	31,558	3,110	54,798
34	Postage and Shipping	19,735	111	-	8,146	803	10,675
35	Local transportation	814	-	-	18	2	794
36	Outside Printing, Artwork, Etc	2,080	-	-	1,493	147	440
37	Conferences, Conventions & Mtg	15,659	250	-	4,807	473	10,129
38	Subscriptions, Publications	7,361	258	-	1,620	160	5,323
39							
40							
41	Equipment Funt & Mtr Vehicle Rental	287,240	11,623	239	67,797	6,681	200,900
42							
43							
44	Other (Specify) Ins, Dept Alloc, Depr., ICR & Misc	299,132	3,621	243	28,726	2,905	263,637
45	Total Operating & Admin	7,643,345	1,376,130	5,735	1,864,133	200,513	4,196,834
46							
47							
48							
49	TOTAL OPERATING EXPENSE AND ADMIN.	7,643,345	1,376,130	5,735	1,864,133	200,513	4,196,834
OCCUPANCY							
50	Office Rent	729,989	19,084	355,438	132,826	13,089	209,552
51							
52	Bldg. Grounds Maint & Repair						
53	Utilities	716	38	2	250	25	401
54							
55							
56							
57							
58	Total Occupancy	730,705	19,122	355,440	133,076	13,114	209,953
59							
60							
61							
62	TOTAL OCCUPANCY EXPENSE	730,705	19,122	355,440	133,076	13,114	209,953

See Independent Auditor's Report

REPORT OF FUNCTIONAL EXPENDITURES Year Ended: June 30, 2021		Agency: Philadelphia Youth Network, Inc. Address: 400 Market Street, Suite 200 Philadelphia, PA 19106			City of Philadelphia Department of Human Services		
Object of Expense		Total All Functions	E3	AIC	Summer	Juvenile	Non-DHS Services
	CHILDREN'S DIRECT EXPENSE						
63							
64							
65							
66							
67							
68							
69							
70	Other (Specify) Youth Wages and Incentive Pmts	4,864,417	-	-	2,460,434	242,460	2,161,523
71	Total Childrens Direct Expense	4,864,417	-	-	2,460,434	242,460	2,161,523
72							
73							
74							
75	TOTAL CHILDREN'S DIRECT EXPENSE	4,864,417	-	-	2,460,434	242,460	2,161,523
	GRAND TOTAL EXPENSES	17,015,940	1,596,938	373,295	5,517,606	836,681	8,691,420

See Independent Auditor's Report

**Philadelphia Youth Network, Inc.**  
City of Philadelphia, Department of Human Services -  
Report of Excess Revenue  
June 30, 2021

<i>Year Ended: June 30, 2021</i>	Total DHS	Service A	Service B	Service C	Other
<b>Total DHS Revenue</b>	\$ 7,327,230	\$ -	\$ 1,582,796	\$ 358,138	\$ 5,386,296
Deduct: Expenditures for Philadelphia DHS Services					
Salaries and Fringe Benefits	1,578,656	-	203,802	11,878	1,362,976
Operating & Administration	2,906,584	-	1,363,321	559	1,542,704
Occupancy	474,746	-	15,673	345,701	113,372
Children's Direct Expenses	2,367,244	-	-	-	2,367,244
<b>Total DHS Expenses</b>	\$ 7,327,230	\$ -	\$ 1,582,796	\$ 358,138	\$ 5,386,296
<b>Excess Revenue/(Expense)</b>	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report.



## **Independent Accountant's Report on Compliance With Specified Indirect Cost Allocation Requirements**

To the Board of Directors  
Philadelphia Youth Network, Inc.  
Philadelphia, Pennsylvania

We have examined Philadelphia Youth Network, Inc.'s compliance with allocating indirect costs reflected in the City of Philadelphia, Department of Human Services Report of Functional Expenditures as required by the Commonwealth of Pennsylvania, Department of Public Welfare, Section 3170.60 of the Chapter 3170 Regulations; and the "Indirect Cost Allocations" Section of the *City of Philadelphia Subrecipient Audit Guide - Instructions For Completing The Report of Functional Expenditures* (Section 2000, Exhibit B) during the year ended June 30, 2021. Management is responsible for Philadelphia Youth Network, Inc.'s compliance with those requirements. Our responsibility is to express an opinion on Philadelphia Youth Network, Inc.'s compliance based on our examination.

The Commonwealth of Pennsylvania, Department of Public Welfare, Section 3170.60 of the Chapter 3170 Regulations states that "The overall objective of the allocation process is to distribute the indirect costs of the Agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or categories." The Regulations require that the method used "shall result in a fair and equitable distribution of costs and shall be in direct relation to actual benefits accruing to the services to which costs are charged."

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about Philadelphia Youth Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide legal determination on Philadelphia Youth Network, Inc.'s compliance with the specified requirements.

In our opinion, Philadelphia Youth Network, Inc. complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2021.

This report is intended for the information of the board of directors, management, and the City of Philadelphia, Department of Human Services and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

October 29, 2021  
Philadelphia, Pennsylvania