

Philadelphia Youth Network, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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 28, 2020, 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 cursive script that reads "Wipfli LLP".

Wipfli LLP

October 28, 2020
Philadelphia, Pennsylvania

Philadelphia Youth Network, Inc.

Statements of Financial Position

<i>As of June 30, 2020 and 2019</i>	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,325,620	\$ 5,014,329
Grants and contracts receivable	3,917,060	4,719,113
Prepaid expenses	67,748	18,344
Other current assets	188,677	116,062
Total Current Assets	10,499,105	9,867,848
PROPERTY AND EQUIPMENT - NET	313,936	453,803
SECURITY DEPOSITS	47,410	47,410
TOTAL ASSETS	\$ 10,860,451	\$ 10,369,061
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable, subcontractors	\$ 2,497,101	\$ 2,788,203
Accounts payable, other	116,944	325,149
Accrued expenses	497,389	771,667
Deferred revenue	1,266,121	2,134,207
Total Current Liabilities	4,377,555	6,019,226
NET ASSETS		
Net assets without donor restrictions	4,101,135	3,598,100
Net assets with donor restrictions	2,381,761	751,735
Total Net Assets	6,482,896	4,349,835
TOTAL LIABILITIES AND NET ASSETS	\$ 10,860,451	\$ 10,369,061

See accompanying notes to financial statements.

Philadelphia Youth Network, Inc.

Statements of Activities and Changes in Net Assets

<i>Years Ended June 30, 2020 and 2019</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Grants and contracts	\$ 17,185,634	\$ -	\$ 17,185,634	\$ 18,400,989	\$ -	\$ 18,400,989
Contributions	367,542	1,895,975	2,263,517	295,155	1,028,139	1,323,294
Other fees	224,963	-	224,963	268,511	-	268,511
Interest income	10	-	10	10	-	10
Net assets released from restriction	265,949	(265,949)	-	1,470,862	(1,470,862)	-
Total Support and Revenues	18,044,098	1,630,026	19,674,124	20,435,527	(442,723)	19,992,804
OPERATING EXPENSES						
Youth program services	15,621,703	-	15,621,703	16,601,009	-	16,601,009
Management and general	1,651,163	-	1,651,163	2,119,869	-	2,119,869
Fundraising	268,197	-	268,197	195,440	-	195,440
Total Operating Expenses	17,541,063	-	17,541,063	18,916,318	-	18,916,318
CHANGE IN NET ASSETS	503,035	1,630,026	2,133,061	1,519,209	(442,723)	1,076,486
NET ASSETS - BEGINNING OF YEAR	3,598,100	751,735	4,349,835	2,078,891	1,194,458	3,273,349
NET ASSETS - END OF YEAR	\$ 4,101,135	\$ 2,381,761	\$ 6,482,896	\$ 3,598,100	\$ 751,735	\$ 4,349,835

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
Total	\$ 15,621,703	\$ 1,651,163	\$ 268,197	\$ 17,541,063

See accompanying notes to financial statements.

Philadelphia Youth Network, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2019</i>	2019			Total
	Youth Program Services	Management and General	Fundraising	
Salaries and wages	\$ 2,068,961	\$ 1,171,387	\$ 122,234	\$ 3,362,582
Fringe benefits	530,015	300,080	31,312	861,407
Professional fees	375,327	101,571	894	477,792
Occupancy costs	519,753	115,352	12,471	647,576
Printing and reproduction	19,855	11,242	1,173	32,270
Consulting	323,682	3,688	399	327,769
Travel, meetings and conferences	105,837	59,922	6,253	172,012
Telephone and communication	67,678	38,317	3,999	109,994
Insurance	27,959	15,830	1,653	45,442
Small office devices and rentals	24,980	14,143	1,475	40,598
Supplies	23,114	13,086	1,366	37,566
Student wages and incentives	5,827,333	-	-	5,827,333
Student costs - fringe benefits and other	666,041	-	-	666,041
Subcontractors' expense	5,813,742	-	-	5,813,742
Depreciation	-	158,205	-	158,205
Other expenses	206,732	117,046	12,211	335,989
Total	\$ 16,601,009	\$ 2,119,869	\$ 195,440	\$ 18,916,318

See accompanying notes to financial statements.

Philadelphia Youth Network, Inc.

Statements of Cash Flows

<i>Years Ended June 30, 2020 and 2019</i>	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,133,061	\$ 1,076,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	139,867	158,205
Change in operating assets and liabilities:		
Grants and contracts receivable	802,053	1,542,832
Prepaid expenses	(49,404)	(7,225)
Other current assets	(72,615)	(27)
Accounts payable, subcontractors	(291,102)	(1,773,000)
Accounts payable, other	(208,205)	31,301
Accrued expenses	(274,278)	476,797
Deferred revenue	(868,086)	(118,075)
Net Cash Provided by Operating Activities	1,311,291	1,387,294
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,311,291	1,387,294
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,014,329	3,627,035
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,325,620	\$ 5,014,329
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ 233

See accompanying notes to financial statements.

Philadelphia Youth Network, Inc.

Notes to Financial Statements

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.

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. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Philadelphia Youth Network, Inc.

Notes to Financial Statements

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.

PYN currently has no net assets with permanent donor restrictions.

Revenue and Support Recognition

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

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition (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, 2020 and 2019, management determined that no allowance was deemed necessary.

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. Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of PYN's programs that cannot be readily identified with a final cost objective. The indirect cost allocation plan has been approved by the U.S. Department of Labor (DOL). A provisional rate of 17.01% was approved by the DOL for the period of July 1, 2018 through June 30, 2019. A provisional rate of 15.50% was approved by the DOL for the period of July 1, 2019 through September 30, 2020 based on actual costs.

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.

Philadelphia Youth Network, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and determining whether a contribution is conditional. During the year ended June 30, 2020, PYN implemented the provisions of this ASU under a modified retrospective basis and there is no effect on net assets or the comparability with prior year financial statements.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. In June 2020, the FASB issued ASU 2020-05 which provides nonpublic entities with a one-year deferral of the effective date of ASC 606. PYN has elected to adopt this deferral and ASU No. 2014-09 is effective for PYN's year ending June 30, 2021. PYN is currently evaluating the impact of the provisions of ASC 606.

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>	2020	2019
Cash and cash equivalents	\$ 6,325,620	\$ 5,014,329
Grants and contracts receivable	3,917,060	4,719,113
Financial assets before adjustments	10,242,680	9,733,442
Less: Restricted contributions included in cash and cash equivalents, and receivables	(2,381,761)	(751,735)
Less: Deferred revenue	(1,266,121)	(2,134,207)
Total	\$ 6,594,798	\$ 6,847,500

Philadelphia Youth Network, Inc.

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources (Continued)

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, 2020 and 2019, there were no outstanding balances on the line of credit.

Note 3: Grants and Contract Receivable and Deferred Revenue

PYN operates its programs with funding from various grants and contracts. At June 30, 2020 and 2019, 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, 2020 and 2019:

GRANTS AND CONTRACTS RECEIVABLE

Funding Agency	2020	2019
Philadelphia Works, Inc. (PWI)	\$ 1,363,779	\$ 2,464,507
School District of Philadelphia	43,712	159,823
City of Philadelphia - DHS	1,604,903	665,597
City of Philadelphia - Parks and Recreation	-	644,255
William Penn Foundation	300,000	-
Other	604,666	784,931
	<u>\$ 3,917,060</u>	<u>\$ 4,719,113</u>

Included in grants and contracts receivable as of June 30, 2020 are promises to give of \$300,000. Of which \$150,000 is due in less than one year, \$100,000 is due in two years and \$50,000 due in three years.

DEFERRED REVENUE

Funding Agency	2020	2019
William Penn Foundation	\$ 79,430	\$ 250,518
Private Sector - Employer Paid Internships	488,276	578,352
The Skillman Foundation	196,780	146,652
City of Philadelphia - Parks and Recreation	-	539,327
Bank of America	131,476	160,000
School District of Philadelphia	-	139,459
Independence Blue Cross	88,000	-
Other	282,159	319,899
	<u>\$ 1,266,121</u>	<u>\$ 2,134,207</u>

Philadelphia Youth Network, Inc.

Notes to Financial Statements

Note 4: Property and Equipment

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

	2020	2019
Furniture and equipment	\$ 1,573,000	\$ 1,573,000
Leasehold improvements	149,578	149,578
	1,722,578	1,722,578
Accumulated depreciation	(1,408,642)	(1,268,775)
	\$ 313,936	\$ 453,803

Depreciation expense was \$139,867 for 2020 and \$158,205 for 2019.

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 30-day LIBOR plus two-hundred and twenty-five basis points (3.02% effective rate at June 30, 2020 and 4.45% for 2019). The revolving term note expires April 15, 2021. No amounts were outstanding at June 30, 2020 and 2019.

Note 6: Net Assets with Donor Restrictions

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

	2020	2019
Summer program	\$ 2,371,761	\$ 741,735
Other	10,000	10,000
	\$ 2,381,761	\$ 751,735

Philadelphia Youth Network, Inc.

Notes to Financial Statements

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, 2020, the amount exceeding federal deposit insurance was approximately \$6,400,000. 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, 2020 and 2019, approximately 85% of PYN's funding was derived from governmental agencies.

As a result of the COVID-19 pandemic, economic uncertainties have arisen which may negatively affect the financial position, operating results and cash flow of PYN. These uncertainties include uncertain levels of donor giving and programmatic services. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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 \$62,694 for 2020 and \$57,320 for 2019.

Note 9: Operating Leases

PYN leases office space at multiple locations under non-cancelable leases that expire in November 2025. Rent expense amounted to \$687,462 for 2020 and \$646,524 for 2019. 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
2021	\$ 332,151
2022	340,214
2023	342,050
2024	347,307
2025	340,817
Thereafter	166,893
Total	\$ 1,869,432

Philadelphia Youth Network, Inc.

Notes to Financial Statements

Note 10: Subsequent Events

PYN has evaluated subsequent events through October 28, 2020, 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.

SUPPLEMENTARY INFORMATION

Philadelphia Youth Network, Inc.
Schedule of Expenditures of Federal, State and City Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Expenditures				
U.S. Department of Labor:				
Workforce Innovation and Opportunity Act Cluster				
Pass-through Philadelphia Works, Inc.				
WIOA Youth Activities	17.259	Y120-020	\$ -	\$ 130,149
WIA/WIOA Dislocated Worker Formula Grants	17.278	PW19-143	99,197	476,744
WIA/WIOA Dislocated Worker Formula Grants	17.278	PW20-167	7,245	77,145
WIA/WIOA Dislocated Worker Formula Grants	17.278	PW20-084	-	37,366
Total Workforce Innovation and Opportunity Act Cluster				721,404
Pass-through Philadelphia Works, Inc.				
H-1B Job Training Grants	17.268	PW 17-101	-	105,649
Total U.S. Department of Labor				827,053
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	-	199,079
Total U.S. Department of Education				199,079
U.S. Department of Health and Human Services:				
TANF Cluster				
Pass-through Philadelphia Works, Inc.				
Temporary Assistance for Needy Families ("TANF")	93.558	Y120-020	2,496,098	7,083,645
Temporary Assistance for Needy Families ("TANF")	93.558	OY18-156	-	193,581
Total U.S. Department of Health and Human Services				7,277,226
Total Federal Expenditures			\$	<u>8,303,358</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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<u>State Expenditures</u>				
Pennsylvania Department of Public Welfare				
Pass-through City of Philadelphia Department of Human Services				
E3 Power Centers	N/A	18-20070-02	\$ 1,064,154	\$ 1,266,237
Achieving Independence Center	N/A	17-20227-03	N/A	286,510
Work Ready Program Services - Child Welfare	N/A	18-20069-03	218,850	1,285,256
Work Ready Program Services - Juvenile Justice	N/A	18-20069-03	16,218	272,206
Work Ready Program Services - Parks and Recreation	N/A	18-20069-03	385,399	1,674,626
Total State Expenditures				4,784,835
<u>City Expenditures</u>				
City of Philadelphia Department of Human Services				
Direct program				
E3 Power Centers	N/A	18-20070-02	266,039	316,559
Achieving Independence Center	N/A	17-20227-03	N/A	71,628
Work Ready Program Services - Child Welfare	N/A	18-20069-03	54,712	321,314
Work Ready Program Services - Juvenile Justice	N/A	18-20069-03	4,055	68,052
Work Ready Program Services - Parks and Recreation	N/A	18-20069-03	406,160	1,764,842
City of Philadelphia Recreation Department				
WorkReady Philadelphia Summer Employment Program	N/A	16-20037-04	80,920	539,327
Total City Expenditures				3,081,722
Total Federal, State and City Expenditures				<u>\$ 16,169,915</u>

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

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, 2020. 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, 2020, 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 28, 2020.

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") to determine the 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 determination of financial statement amounts. 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 cursive script that reads "Wipfli LLP".

Wipfli LLP

October 28, 2020
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, 2020. 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 Each 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, 2020.

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 cursive script that reads "Wipfli LLP".

Wipfli LLP

October 28, 2020
Philadelphia, Pennsylvania

Philadelphia Youth Network, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

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
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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

Supplementary Financial Schedules and Reports on City of Philadelphia Contracts

REPORT OF REVENUE BY FUNCTIONAL PROGRAM Year Ended: June 30, 2020		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	Federal Government						
61							
62							
63							
64							
65							
66	Department of Health and Human Services	7,277,226	-	-	-	-	7,277,226
67	Department of Labor	827,053	-	-	-	-	827,053
68	Department of Education	199,079	-	-	-	-	199,079
69							
70							
71	State Government						
72	Commonwealth of PA Act 148 Funds / General Funds	7,327,230	1,582,796	358,138	5,046,038	340,258	-
73							
74	Philadelphia - Department of Parks & Recreation	539,327	-	-	-	-	539,327
75							
76	City of Philadelphia	36,103	-	-	-	-	36,103
77							
78							
79							
80							
81							
82							
83	Other (Specify) EITC, Contribution, Misc Income	1,604,006	-	-	-	-	1,604,006
84	School District of Philadelphia - CTE	101,529	-	-	-	-	101,529
85							
86	Investment Income - Misc inc	10	-	-	-	-	10
87							
88							
89							
90	Foundations	1,399,828	-	-	-	-	1,399,828
91	United Way	122,491	-	-	-	-	122,491
92							
93	Client Fee	240,242	-	-	-	-	240,242
94							
95	Grand Total	19,674,124	1,582,796	358,138	5,046,038	340,258	12,346,894

See Independent Auditor's Report

REPORT OF FUNCTIONAL EXPENDITURES Year Ended: June 30, 2020		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	3,065,539	159,388	9,208	1,001,073	77,423	1,818,447
3							
4							
5							
6	FICA (Employer's Share)	224,155	11,415	508	70,231	5,466	136,535
7	Unemployment Compensation	67,141	3,228	154	19,271	1,783	42,705
8	Workers Compensation	39,346	2,114	159	14,139	991	21,943
9	Employee Benefits	480,719	27,657	1,849	157,957	14,642	278,614
10	Other (Specify): Indirect Costs						
11	Total Social Service & Child Care	3,876,900	203,802	11,878	1,262,671	100,305	2,298,244
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	TOTAL SALARIES AND WAGES	3,876,900	203,802	11,878	1,262,671	100,305	2,298,244

See Independent Auditor's Report

REPORT OF FUNCTIONAL EXPENDITURES Year Ended: June 30, 2020		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	5,814,003	1,349,210	158	1,334,184	32,052	3,098,399
32	Supplies	23,276	642	18	9,054	199	13,363
33	Telephone	103,114	3,879	119	27,133	1,798	70,185
34	Postage and Shipping	1,351	43	1	374	30	903
35	Local transportation	35,509	97	4	1,514	61	33,833
36	Outside Printing, Artwork, Etc	3,960	682	-	1,591	20	1,667
37	Conferences, Conventions & Mtg	52,953	84	-	6,363	14	46,492
38	Subscriptions, Publications	14,305	441	-	3,634	-	10,230
39							
40							
41	Equipment Funt & Mtr Vehicle Rental	28,815	1,195	17	9,022	812	17,769
42							
43							
44	Other (Specify) Ins, Dept Alloc, Depr., ICR & Misc	494,910	7,048	242	112,046	2,803	372,771
45	Total Operating & Admin	6,572,196	1,363,321	559	1,504,915	37,789	3,665,612
46							
47							
48							
49	TOTAL OPERATING EXPENSE AND ADMIN.	6,572,196	1,363,321	559	1,504,915	37,789	3,665,612
	OCCUPANCY						
50	Office Rent	687,462	15,589	345,699	104,760	8,056	213,358
51							
52	Bldg. Grounds Maint & Repair						
53	Utilities	1,452	84	2	539	17	810
54							
55							
56							
57							
58	Total Occupancy	688,914	15,673	345,701	105,299	8,073	214,168
59							
60							
61							
62	TOTAL OCCUPANCY EXPENSE	688,914	15,673	345,701	105,299	8,073	214,168

See Independent Auditor's Report

REPORT OF FUNCTIONAL EXPENDITURES Year Ended: June 30, 2020		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	6,403,053	-	-	2,173,152	194,092	4,035,809
71	Total Childrens Direct Expense	6,403,053	-	-	2,173,152	194,092	4,035,809
72							
73							
74							
75	TOTAL CHILDREN'S DIRECT EXPENSE	6,403,053	-	-	2,173,152	194,092	4,035,809
	GRAND TOTAL EXPENSES	17,541,063	1,582,796	358,138	5,046,037	340,259	10,213,833

See Independent Auditor's Report

Philadelphia Youth Network, Inc.
City of Philadelphia, Department of Human Services -
Report of Excess Revenue
June 30, 2020

<i>Year Ended: June 30, 2020</i>	Total DHS	Service A	Service B	Service C	Other
Total DHS Revenue	\$ 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
Total DHS Expenses	\$ 7,327,230	\$ -	\$ 1,582,796	\$ 358,138	\$ 5,386,296
Excess Revenue/(Expense)	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2020. 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, 2020.

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 cursive script that reads "Wipfli LLP".

Wipfli LLP

October 28, 2020
Philadelphia, Pennsylvania