

ANNEX 4 – PAST PERFORMANCE INFORMATION FORM TEMPLATE

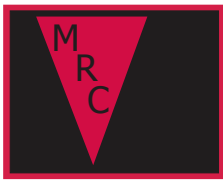
1. Award Number: U374A160084 -20
2. Contractor/Recipient (Name and Address): Youth Empowerment Services, Inc. 511 Fredericksburg Road San Antonio, Texas 78201 - 6344
3. Type of Award: Discretionary
4. Complexity of Work: Difficult <u>and</u> Routine
5. Description, location, and relevancy of work: The TSL program supported YES, INC. with implementing a Human Capital Management System (HCMS), which must include a Performance-Based Compensation System (PBCS) in six (6) charter school districts. We were responsible for serving educators in High-Need Schools to help them raise student academic achievement and close the achievement gap between high- and low-performing students. Over the 12 years of implementing this kind of project (see above and below) we learned the value of clear, constant and over-communication strategies because when all stakeholders were informed and aware of the new and different information that was constantly being introduced to them, they were more quickly to “buy-in” to what was being required of them. We learned that to sustain the program, that the stakeholders have to “own” the project and make it their own.
6. Dollar Value of Work : \$54,354,325.00 Status: Active ☐ Completed: 09/30/2021
7. Date of Award: 10/01/2016 Award Completion Date (including extensions): 09/30/2021
8. Type and Extent of Subawards: N/A
9. Name, Address, Telephone Number, and E-mail Address of the Awarding Contracting/Agreement Officer and/or the Contracting/Agreement Officer ’s Representative (and other references as applicable): Kelly Terpak, the original representative retired. Our newly assigned representative is: Ms. Patricia A. Searles, Program Officer, U.S. Department of Education, Office of Elementary and Secondary Education, 400 Maryland Avenue, SW, Room 3C-122, Washington, DC 20202, 202-205-3869

ANNEX 4 – PAST PERFORMANCE INFORMATION FORM TEMPLATE

1. Award Number: U374A170095

2. Contractor/Recipient (Name and Address): Youth Empowerment Services Inc. 511 Fredericksburg Rd. San Antonio, Texas 78201 - 6344
3. Type of Award: Discretionary
4. Complexity of Work: Difficult <u>and</u> Routine
5. Description, location, and relevancy of work: The TSL program supported YES, INC. with implementing a Human Capital Management System (HCMS), which must include a Performance-Based Compensation System (PBCS) in six (6) charter school districts. We were responsible for serving educators in High-Need Schools to help them raise student academic achievement and close the achievement gap between high- and low-performing students. Over the 12 years of implementing this kind of project (see above and below) we learned the value of clear, constant and over-communication strategies because when all stakeholders were informed and aware of the new and different information that was constantly being introduced to them, they were more quickly to “buy-in” to what was being required of them. We learned that to sustain the program, that the stakeholders have to “own” the project and make it their own.
6. Dollar Value of Work : \$8,386,171.00 Status: Active ____ Completed: 09/30/2023
7. Date of Award: 10/01/2017 Award Completion Date (including extensions): 09/30/2020
8. Type and Extent of Subawards: N/A
9. Name, Address, Telephone Number, and E-mail Address of the Awarding Contracting/Agreement Officer and/or the Contracting/Agreement Officer’s Representative (and other references as applicable): Kelly Terpak, the original representative retired. Our newly assigned representative is: Ms. Patricia A. Searles, Program Officer, U.S. Department of Education, Office of Elementary and Secondary Education, 400 Maryland Avenue, SW, Room 3C-122, Washington, DC 20202, 202-205-3869

We engage with an external Certified Public Accountant firm to prepare an annual audit of our financial statements at the end of each fiscal year. Our complete annual audit report is over 50 pages for each report which includes our non-program report information and our program report information. We didn’t include the full report to avoid having an excessive amount of pages in our application. We did include the pages that show our audited financial report for our federal programs and any findings. The full reports can be provided upon request.



**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 of
Youth Empowerment Services, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Empowerment Services, Inc. (the "Corporation") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, 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 May 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-001 that we considered to be material weaknesses.

Report on Compliance and Other Matters

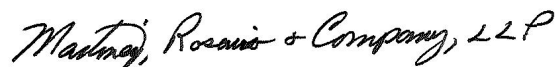
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-001.

The Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

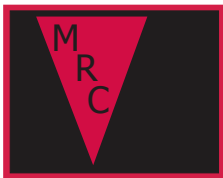
Purpose of This Report

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 the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

May 22, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Youth Empowerment Services, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Youth Empowerment Services, Inc.'s (a nonprofit organization), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended August 31, 2022. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

May 22, 2023

YOUTH EMPOWERMENT SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Grant Period	Expenditures
<u>FEDERAL PROGRAMS:</u>				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Direct Award</u>				
Teacher Incentive Fund	84.374A	N/A		\$ 6,503,347
Teacher and School Leader Incentive Program	84.374A	N/A		131,016
Total AL #84.374A				<u>6,634,363</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u>6,634,363</u>

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Youth Empowerment Services, Inc. under programs of the federal governments for the year ended August 31, 2022, for Youth Empowerment Services, Inc. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* 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 Youth Empowerment Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youth Empowerment Services, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – 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.

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the Year August 31, 2022

NOTE 3: INDIRECT COST

Teacher Incentive Fund – The Corporation has an approved indirect cost rate of 16.34% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Teacher and School Leader – The Corporation has an approved indirect cost rate of 3.35% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Direct and Indirect expenses for the year ending August 31, 2022 are as follow:

	<u>Direct</u> <u>Expense</u>	<u>Indirect</u> <u>Expense</u>	<u>Total</u> <u>Expenses</u>
Teacher Incentive fund	\$ 5,477,474	\$ 1,025,873	\$ 6,503,347
Teacher and School Leader Incentive Program	126,621	4,395	131,016
TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ 5,604,095	\$ 1,030,268	\$ 6,634,363

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

Type of auditor's report:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ Yes No
- Significant deficiency(ies) identified? Yes ✓ None Reported

Noncompliance material to financial statements noted?

✓ Yes No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes ✓ No
- Significant deficiency(ies) identified? Yes ✓ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)

 Yes ✓ No

Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
84.374A	Teacher Incentive Fund
84.374A	Teacher and School Leader Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?

 Yes ✓ No

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended August 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2022-001

Accounting and Financial Reporting

Type of Finding: Material Weakness and Material Noncompliance

Condition:

The Corporation does not record, on a monthly basis, activity for investments, such as reinvestments of dividends, capital gains and allowance for changes in investments caused by unrealized market gains or losses. For FYE August 31, 2022, we proposed adjustments to increase investment amounts for re-invested dividends and capital gains of \$221,310. Also for FYE August 31, 2022, we proposed adjustments to decrease the allowance for changes in investments caused by unrealized market gains or losses of \$824,143 and record the related unrealized losses.

Criteria:

The Corporation must maintain and utilize adequate internal controls over financial reporting in order to produce reliable and accurate financial reports on a timely basis.

Cause:

The accounting policies and procedures have not been updated for investments, related income, expenses, and valuation changes.

Effect:

Material misstatements will occur and not be detected or corrected on a timely basis.

Recommendation:

The Corporation must ensure that updates for new accounting items such as investments, related income, expenses and valuation changes are implemented and operating as designed to ensure proper period closings and financial reporting. Also, the Corporation must ensure accounting staff are compliant with fiscal policies and procedures, and periodically management should review policies and procedures, and make changes accordingly to facilitate proper monthly and end of year closing processes, and provide accounting requisite accounting staffing and training to all accounting staff related to their responsibilities in the internal control environment.

Views of Responsible Officials: We are aware that our policies and procedures were not updated for our new activity of investments. We understand the importance of being able to produce reliable financial reports on a timely basis and have immediately made changes to ensure that our financial data includes our investment related activity monthly.

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended August 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS- Continued

Our Chief Financial Officer has updated our policies and procedures and met with our fiscal team to discuss the situation, new responsibilities to ensure we follow the new policies and procedures and assign roles to implement the corrective action plan. Our major change includes a monthly reconciliation of our investment accounts by our CFO and training of our staff and Board Members on what to look for in our monthly, quarterly, and annual financial reports as oversight for making sure the reports remain reliable and we continue to follow our policies and procedures. Our Board of Directors previously reviewed and discussed the quarterly investment statements to help them make decisions on the investment accounts. Our new policies and procedures for the investment accounts will include monthly reconciliations of our investments accounts recorded in our financial statements that will be a part of our financial presentation to our Board of Directors for their review and discussion. Our policy and procedures manual has been updated and will be presented to our Board of Directors for official approval within the next two weeks. Our fiscal staff has been trained on our new policies and procedures and our leadership team will be trained at our next weekly meeting by our CFO. We immediately discussed a plan to ensure we're able to avoid missing making relative changes to our policies and procedures for any new activity as we continue to grow and change. We decided our leadership staff will use one of our weekly meetings in the month to identify any changes that are necessary to our policies and procedures from any new activity, funding, and projects of YES. Our Chief Financial Officer is responsible for ensuring that our policies and procedures are updated, and all staff are trained and following these new policies and procedures.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

YOUTH EMPOWERMENT SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2022

FEDERAL PROGRAMS:

There were no prior year audit findings.



Youth Empowerment Services, Inc.

511 Fredericksburg Rd, San Antonio, TX 78201

Phone: (210) 735-2341

Claudette Yarbrough, CEO

GO TIGERS!

We ensure each scholar's success! Whatever it takes for each one!

May 30, 2023

Martinez, Rosario & Company, LLP
Certified Public Accountants
14100 San Pedro Avenue, Suite 611
San Antonio, Texas 78232

Corrective Action Plan for Audit

Youth Empowerment Services, Inc respectfully submits the following corrective action plan for the year ended August 31, 2022.

Audit Period: September 1, 2021– August 31, 2022

The finding from August 31, 2022, Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINANCIAL STATEMENT FINDINGS

Finding 2022-001

Accounting and Financial Reporting

Finding Type: Material Weakness and Material Noncompliance

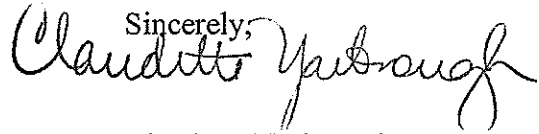
Recommendation: The Corporation must ensure that updates for new accounting items such as investments, related income, expenses and valuation changes are implemented and operating as designed to ensure proper period closings and financial reporting. Also, the Corporation must ensure accounting staff are compliant with fiscal policies and procedures, and periodically management should review policies and procedures, and make changes accordingly to facilitate proper monthly and end of year closing processes, and provide accounting requisite accounting staffing and training to all accounting staff related to their responsibilities in the internal control environment.

Actions Taken: We are aware that our policies and procedures were not updated for our new activity of investments. We understand the importance of being able to produce reliable financial reports on a timely basis and have immediately made changes to ensure that our financial data includes our investment related activity monthly. Our Chief Financial Officer has updated our policies and procedures and met with our fiscal team to discuss the situation, new responsibilities to ensure we follow the new policies and procedures and assign roles to implement the corrective action plan. Our major change includes a monthly reconciliation of our investment accounts by our CFO and training of our staff and Board Members on what to look for in our monthly, quarterly, and annual financial reports as oversight for making sure the reports remain reliable and we continue to follow our policies and procedures. Our Board of Directors previously reviewed and discussed the quarterly investment statements to help them make decisions on the investment accounts. Our new policies and procedures for the investment accounts will

include monthly reconciliations of our investments accounts recorded in our financial statements that will be a part of our financial presentation to our Board of Directors for their review and discussion. Our policy and procedures manual has been updated and will be presented to our Board of Directors for official approval within the next two weeks. Our fiscal staff has been trained on our new policies and procedures and our leadership team will be trained at our next weekly meeting by our CFO. We immediately discussed a plan to ensure we're able to avoid missing making relative changes to our policies and procedures for any new activity as we continue to grow and change. We decided our leadership staff will use one of our weekly meetings in the month to identify any changes that are necessary to our policies and procedures from any new activity, funding, and projects of YES. Our Chief Financial Officer is responsible for ensuring that our policies and procedures are updated, and all staff are trained and following these new policies and procedures.

Any questions regarding this plan, please contact me at (210)-559-0231.

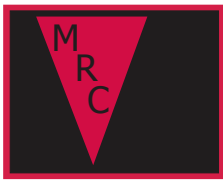
Sincerely,

A handwritten signature in black ink that reads "Claudette Yarbrough". The signature is fluid and cursive, with the first name "Claudette" being more prominent and the last name "Yarbrough" following in a similar style.

Claudette Yarbrough

CEO

Youth Empowerment Services, Inc.



**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 of
Youth Empowerment Services, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Empowerment Services, Inc. (the "Corporation") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, 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 May 10, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

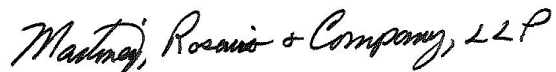
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Corporation'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*.

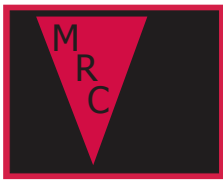
Purpose of this Report

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 the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

May 10, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Youth Empowerment Services, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Youth Empowerment Services, Inc.'s (a nonprofit organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended August 31, 2021. The Corporation's major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Corporation'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 each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the Corporation 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 the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Corporation'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.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

May 10, 2022

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>FEDERAL PROGRAMS:</u>				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Direct Award</u>				
Teacher Incentive Fund	84.374A	N/A		\$ 8,431,380
Teacher and School Leader Incentive Program	84.374A	N/A		1,959,090
Total CFDA #84.374A				<u>10,390,470</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u>10,390,470</u>

See notes to the Schedule of Expenditures of Federal Awards.

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Youth Empowerment Services, Inc. under programs of the federal governments for the year ended August 31, 2021, for Youth Empowerment Services, Inc. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* 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 Youth Empowerment Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youth Empowerment Services, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – 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.

Match – Youth Empowerment Services, Inc. identified non-federal matches for the Teacher and School Leader Incentive Program CFDA #84.374A totaling \$2,289,606 for the year ended August 31, 2021. None of these amounts are reported on the Statements of Activities since they do not meet the required definitions as defined with accounting principles generally accepted in the United States of America (U.S. GAAP).

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the Year August 31, 2021

NOTE 3: INDIRECT COST

Teacher Incentive Fund – The Corporation has an approved indirect cost rate of 17.074% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Teacher and School Leader – The Corporation has an approved indirect cost rate of 3.34% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Direct and Indirect expenses for the year ending August 31, 2021 are as follow:

	<u>Direct Expense</u>	<u>Indirect Expense</u>	<u>Total Expenses</u>
Teacher Incentive fund	\$ 7,185,427	\$ 1,245,953	\$ 8,431,380
Teacher and School Leader Incentive Program	<u>1,894,122</u>	<u>64,968</u>	<u>1,959,090</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ <u>9,079,549</u>	\$ <u>1,310,921</u>	\$ <u>10,390,470</u>

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

Type of auditor's report:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported
- Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) _____ Yes ✓ No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.374A	Teacher Incentive Fund
84.374A	Teacher and School Leader Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended August 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

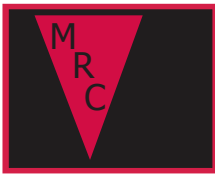
SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

YOUTH EMPOWERMENT SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2021

FEDERAL PROGRAMS:

There were no prior year audit findings.



**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 of
Youth Empowerment Services, Inc.
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Youth Empowerment Services, Inc. (the "Corporation") (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

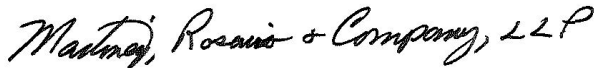
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Corporation'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*.

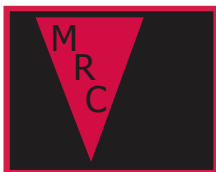
Purpose of this Report

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 the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

May 21, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Youth Empowerment Services, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Youth Empowerment Services, Inc.'s (a nonprofit organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended August 31, 2020. The Corporation's major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Corporation'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 each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control Over Compliance

Management of the Corporation 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 the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Corporation'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.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

May 21, 2021

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>FEDERAL PROGRAMS:</u>				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Direct Award</u>				
Teacher Incentive Fund	84.374A	N/A		\$ 9,476,142
Teacher and School Leader Incentive Program	84.374A	N/A		2,198,032
Total CFDA #84.374A				<u>11,674,174</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u>11,674,174</u>

See notes to the Schedule of Expenditures of Federal Awards.

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2020

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Youth Empowerment Services, Inc. under programs of the federal governments for the year ended August 31, 2020, for Youth Empowerment Services, Inc. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* 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 Youth Empowerment Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youth Empowerment Services, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – 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.

Match – Youth Empowerment Services, Inc. identified non-federal matches for the Teacher and School Leader Incentive Program CFDA #84.374A totaling \$2,289,606 for the year ended August 31, 2020. None of these amounts are reported on the Statements of Activities since they do not meet the required definitions as defined with accounting principles generally accepted in the United States of America (U.S. GAAP).

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
For the Year Ended August 31, 2020

NOTE 3: INDIRECT COST

Teacher Incentive Fund – The Corporation has an approved indirect cost rate of 17.1% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Teacher and School Leader – The Corporation has an approved indirect cost rate of 3.3% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Direct and Indirect expenses for the year ending August 31, 2020 are as follow:

	<u>Direct Expense</u>	<u>Indirect Expense</u>	<u>Total Expenses</u>
Teacher Incentive fund	\$ 8,094,148	\$ 1,381,995	\$ 9,476,142
Teacher and School Leader Incentive Program	<u>2,125,140</u>	<u>72,892</u>	<u>2,198,032</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS	<u><u>\$ 10,219,287</u></u>	<u><u>\$ 1,454,887</u></u>	<u><u>\$ 11,674,174</u></u>

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

Type of auditor's report:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported
- Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) _____ Yes ✓ No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.374A	Teacher Incentive Fund
84.374A	Teacher and School Leader Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended August 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

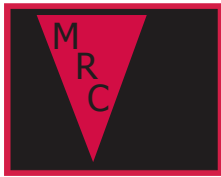
SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

YOUTH EMPOWERMENT SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2020

FEDERAL PROGRAMS:

There were no prior year audit findings.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Youth Empowerment Services, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Youth Empowerment Services, Inc.'s (a nonprofit organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended August 31, 2019. The Corporation's major federal programs are 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Corporation'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 each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of the Corporation 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 the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Corporation'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.

Martinez, Rosario & Company, LLP

Martinez, Rosario & Company, LLP
Certified Public Accountants
San Antonio, TX

December 14, 2020

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2019

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>FEDERAL PROGRAMS:</u>				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Direct Award</u>				
Teacher Incentive Fund	84.374A	N/A		\$ 9,923,905
Teacher and School Leader Incentive Program	84.374A	N/A		2,248,448
Total CFDA #84.374A				<u>12,172,353</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u>12,172,353</u>

See notes to the Schedule of Expenditures of Federal Awards.

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Youth Empowerment Services, Inc. under programs of the federal governments for the year ended August 31, 2019, for Youth Empowerment Services, Inc. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* 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 Youth Empowerment Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Youth Empowerment Services, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – 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.

Match – Youth Empowerment Services, Inc. identified non-federal matches for the Teacher and School Leader Incentive Program CFDA #84.374A totaling \$2,120,626 for the year ended August 31, 2019. None of these amounts are reported on the Statements of Activities since they do not meet the required definitions as defined with accounting principles generally accepted in the United States of America (U.S. GAAP).

KIDS ARE FIRST, INC.**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued****For the Year August 31, 2019****NOTE 3: INDIRECT COST**

Teacher Incentive Fund – The Corporation has an approved indirect cost rate of 17.1% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Teacher and School Leader – The Corporation has an approved indirect cost rate of 3.3% with grantors and has elected not to draw the 10% de minimum indirect cost rate allowed in the Uniform Guidance, section 414.

Direct and Indirect expenses for the year ending August 31, 2019 are as follow:

	<u>Direct Expense</u>	<u>Indirect Expense</u>	<u>Total Expenses</u>
Teacher Incentive fund	\$ 8,457,393	\$ 1,466,512	\$ 9,923,905
Teacher and School Leader Incentive Program	<u>2,175,777</u>	<u>72,671</u>	<u>2,248,448</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 10,633,170</u>	<u>\$ 1,539,183</u>	<u>\$ 12,172,353</u>

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

Type of auditor's report:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported
- Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) _____ Yes ✓ No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.374A	Teacher Incentive Fund
84.374A	Teacher and School Leader Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended August 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

**YOUTH EMPOWERMENT SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019**

SECTION III – SCHEDULE OF PRIOR YEAR FINDINGS

Finding 2018-001

TIF/TSL

Type of Finding: Significant Deficiency in Internal Control over Compliance

Condition

Management's internal controls did not have processes in place to ensure adequate documentation was maintained to ensure compliance with federal procurement regulations, including price or rate quotations and nonparticipation of related employees in the procurement process.

Criteria:

2 CFR Part 200.318(i) states that management must "maintain records that detail the history of procurement. These records will include, but are not limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price." In addition, 2 CFR Part 200.318(c)(i) states "No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."

Status:

This finding was cleared in the current year.



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Youth Empowerment Services, Inc.
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Youth Empowerment Services, 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 each of Youth Empowerment Services, Inc.'s major federal programs for the year ended August 31, 2018. Youth Empowerment Services, Inc.'s major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Youth Empowerment Services, Inc.'s major federal programs 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Youth Empowerment Services, 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 each major federal program. However, our audit does not provide a legal determination of Youth Empowerment Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Youth Empowerment Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

Management of Youth Empowerment Services, 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 Youth Empowerment Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Youth Empowerment Services, 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

Youth Empowerment Services, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Youth Empowerment Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 "Armstrong, Vaughan & Associates, P.C." in a cursive, flowing script.

Armstrong, Vaughan & Associates, P.C.

May 28, 2019

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued on the financial statements of the auditee: | Unmodified |
| 2. Internal Control over Financial Reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal Control over Major Federal Programs:

- | | |
|---|------------|
| 1. Material weaknesses identified? | No |
| 2. Significant deficiencies identified? | Yes |
| 3. Type of auditor's report issued on the compliance for major programs: | Unmodified |
| 4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 5. Identification of major programs: | |

<u>Title</u>	<u>CFDA</u>
Teacher Incentive Fund	84.374A
Teacher and School Leader Incentive Program	84.374A

- | | |
|--|-----------|
| 6. Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| 7. Auditee qualified as a low-risk auditee? | Yes |

B. Financial State Findings

NONE

C. Federal Award Findings and Questioned Costs

2018-001

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
FOR THE YEAR ENDED AUGUST 31, 2018

FINDING:	2018-001
PROGRAM INFORMATION	
CFDA:	84.374A
NAME:	TIF/TSL
TYPE OF FINDING:	Significant Deficiency in Internal Control over Compliance

Criteria

2 CFR Part 200.318(i) states that management must “maintain records that detail the history of procurement. These records will include, but are not limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.” In addition, 2 CFR Part 200.318(c)(i) states “No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.”

Condition

Management’s internal controls did not have processes in place to ensure adequate documentation was maintained to ensure compliance with federal procurement regulations, including price or rate quotations and nonparticipation of related employees in the procurement process.

Questioned Costs: N/A

Cause

Management’s procurement process did not put an emphasis on documenting compliance with federal regulations.

Effect

Internal controls are not sufficient to ensure compliance with procurement documentation regulations.

Repeat Finding

No

Recommendation

Management should adopt controls to ensure adequate and complete documentation of procurement procedures to demonstrate compliance with Uniform Guidance. Training on uniform guidance requirements should be conducted for all employees in the procurement process.

Youth Empowerment Services, Inc.

511 Fredericksburg Rd
San Antonio, Texas
210-735-2341

YES, WE FOLLOW THE GOLDEN RULE!

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

Responsible Official's Response and Corrective Action Plan

Management will update their procurement policy documents and provide training on the Uniform Guidance requirements to all employees in the procurement process. Purchase orders will be revised with additional prompts to facilitate documentation and compliance.

Planned Implementation Date of Corrective Action

June 30, 2019

Person Responsible for Corrective Action

La Ronda Wilson, CFO

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

No prior year findings related to federal program expenditures.

YOUTH EMPOWERMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Award			
Teacher Incentive Fund	84.374A	N/A	\$ 11,139,469
Teacher and School Leader Incentive Program	84.374A	N/A	<u>1,802,049</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 12,941,518</u></u>

The accompanying notes are an integral part of this financial statement.

YOUTH EMPOWERMENT SERVICES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 1 -- BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation, and is presented on an accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 -- INDIRECT COSTS

Teacher Incentive Fund - The Corporation has negotiated an indirect cost rate with grantors and has elected not to draw the 10% de minimus indirect cost rate allowed in the Uniform Guidance, section 414.

Teacher and School Leader Incentive Program - The Corporation has elected to draw the 10% de minimus indirect cost rate allowed in the Uniform Guidance, section 414.

Direct and indirect expenses for the year ending August 31, 2018 are as follow:

	Direct Expenses	Indirect Expenses	Total Expenses
Teacher Incentive Fund	\$ 9,413,106	\$ 1,726,363	\$ 11,139,469
Teacher and School Leader Incentive Program	1,742,289	59,760	1,802,049
TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 11,155,395</u>	<u>\$ 1,786,123</u>	<u>\$ 12,941,518</u>