

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2016

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC. (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017 on our consideration of MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.'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* in considering MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. M. J. 2".

Oakland, California
June 09, 2017

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	51,321
Accounts receivable, net of allowance for doubtful accounts		260,011
Prepaid expenses		<u>12,258</u>

Total current assets		323,590
Property and equipment, net		<u>-</u>

Total assets	\$	<u><u>323,590</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	73,409
Accrued payroll		30,555
Accrued vacation		10,661
Deferred revenue		<u>35,250</u>

Total current liabilities		149,875
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Total liabilities		<u>149,875</u>
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NET ASSETS

Unrestricted		134,726
Temporarily restricted		<u>38,989</u>

Total net assets		<u>173,715</u>
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Total liabilities and net assets	\$	<u><u>323,590</u></u>
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See Independent Auditor's Report and Accompanying Notes

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Donations	\$ 129,312	\$ 124,500	\$ 253,812
In-kind donations	-	-	-
Private grants	43,240	-	43,240
Special event	467	-	467
	<hr/>	<hr/>	<hr/>
Total public support	173,019	124,500	297,519
 Fees and grants from government agencies			
Federal financial assistance	608,124	-	608,124
 Other revenues, support and losses			
Program revenue	14,400	-	14,400
Investment and other income	200	-	200
 Net assets released from restrictions	<hr/>	<hr/>	<hr/>
Total public support and revenues	164,547	(164,547)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenues	960,290	(40,047)	920,243
 EXPENSES			
Program services	817,597	-	817,597
Supporting services			
Management and general	195,278	-	195,278
Fundraising	96,279	-	96,279
	<hr/>	<hr/>	<hr/>
Total expenses	1,109,158	-	1,109,158
 Change in net assets	(148,868)	(40,047)	(188,915)
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	283,594	79,036	362,630
 Net assets, end of year	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 134,726	\$ 38,989	\$ 173,715

See Independent Auditor's Report and Accompanying Notes

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services		Total	
	Case Manage	Mentor-ship	Youth Program	Training Institute	Daily Drop in Center	Total	Management and General		Fundraising
Salaries, wages and related expenses	\$ 117,871	109,997	197,972	33,728	82,645	\$ 542,212	\$ 154,505	\$ 79,429	\$ 776,145
Occupancy	6,908	6,220	15,114	1,394	7,408	37,043	6,579	3,474	47,097
Office expenses and supplies	3,010	1,690	6,230	192	2,141	13,262	2,596	2,976	18,836
Technology	553	422	3,884	202	319	5,380	1,371	495	7,246
Client expenses	4,272	5,162	14,910	-	10,260	34,603	45	-	34,649
Program supplies and materials	234	277	1,284	377	12,290	14,462	399	16	14,877
Communications	1,906	1,152	3,253	224	1,419	7,954	1,968	700	10,622
Professional services	8,810	31	7,001	1,507	42	17,390	7,613	36	25,040
Insurance	3,720	723	1,463	228	843	6,977	758	352	8,087
Travel, meals and mileage	7,245	2,114	12,825	898	2,024	25,105	4,956	770	30,832
Staff training and development	327	349	6,304	12	159	7,151	1,068	152	8,371
Fees, licenses and permits	-	-	-	-	-	-	1,740	1,048	2,788
Fundraising – special event	-	-	25	-	-	25	232	6,831	7,088
Other expenses	230	237	439	50	238	1,194	11,448	-	12,641
Third-party payments	-	-	-	-	-	-	-	-	-
- sub grants	9,402	68,747	-	-	-	78,149	-	-	78,149
Loss	-	26,690	-	-	-	26,690	-	-	26,690
Total expenses	\$ 164,485	223,811	270,703	38,812	119,787	\$ 817,597	\$ 195,278	\$ 96,279	\$ 1,109,158

See Independent Auditor's Report and Accompanying Notes

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$	(188,915)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable		110,869
Prepaid expenses		2,243
Increase (decrease) in operating liabilities:		
Accounts payable		20,279
Accrued vacation		764
Payroll payable		6,505
Deferred revenue		<u>35,250</u>
Net cash used in operating activities		(13,005)
Net change in cash and cash equivalents		(13,005)
CASH AND CASH EQUIVALENTS, beginning of year		<u>64,326</u>
CASH AND CASH EQUIVALENTS, ending of year	\$	<u>51,321</u>

See Independent Auditor's Report and Accompanying Notes

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of activities and summary of significant accounting policies

Nature of Activities

MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC. (MISSEY) advocates and facilitates the empowerment and inner transformation of sexually exploited youth by holistically addressing their specific needs. The Organization collaborates to bring about systemic and community change to prevent the sexual exploitation of children and youth through raising awareness, education and policy development. The Organization is a not-for-profit corporation that operates in Oakland, California. The Organization was formed and commenced its operations in May 2009.

The Organization is supported primarily through donor contributions and federal grants. For the year ended June 30, 2016 the Organization received 31% of total revenue from Alameda County Social Services Agency, 17% from U.S. Department of Justice, and 16% from City of Oakland.

The Organization divides its program activities into five programs as follows:

Case Management – case managers work together with clients by developing personal goals and implementing activities that enable goal achievement. Action steps are concrete and always include connecting clients to community resources. Support is ongoing- daily, weekly, and monthly. Case Managers provide direct services to target CSEC and at-risk youth, ages twelve to seventeen, who are entering or already part of the Alameda County foster care system. The program also delivers consultation to SSA/Department of Children and Family Services on service design and training strategies for staff who work with CSEC.

Mentorship Program – engages mentor volunteers with Commercially Sexually Exploited Children or at-risk youth in a year-long mentoring program. In collaboration with Girls Inc. and the Mentoring Center, youth are connected with supportive adults in the community who provide advice and emotional support, with the goal of helping youth transition into healthier situations and lifestyles.

Transitioning Age Youth Program – case managers work together with clients by developing personal goals and implementing activities that enable goal achievement. Action steps are concrete and always include connecting clients to community resources. Support is ongoing- daily, weekly, and monthly. Case Managers provide direct services to target CSEC and at-risk youth, ages sixteen to twenty-four.

Training Institute – offers group or individual instruction for counties and organizations that increases participants' understanding of sexual exploitation and trauma, expands participants' knowledge about best practices for identifying, engaging, and linking at risk girls to services they need. Participants also increase their awareness of available data, reference materials, and community resources.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Daily Drop in Center – offers daily drop in center that is a safe space for girls to build supportive community, gain new knowledge, and cultivate their leadership abilities during critical after school hours. The drop in center offers basic needs support, life skills workshops, critical discussion groups, peer support, school/employment exploration and enrollment assistance, and art/wellness opportunities that serve as catalysts for healing and activism.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

Financial statement presentation follows the requirement of the Financial Accounting Standard Board. Under *FASB ASC 958*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets consist of all resources not subject to donor-imposed restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets consist of resources subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor. The donor-restricted assets are resources for (a) support of specific operating activities; (b) investment for specified term; (c) use in a specific future period; or (d) acquisition of long-lived assets.

Permanently Restricted Net Assets consist of assets subject to donor-imposed stipulations that they be retained and invested permanently by the Organization to use all or part of the investment return on these net assets for specified or unspecified purposes. There were no permanently restricted assets as of June 30, 2016.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Functional Allocation of Expenses

The costs of the programs and supporting services have been reported on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by the Organization's management.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

Fair Value of Financial Instruments

The Organization adopted the provisions for fair value measurements contained in the Accounting Standards Codification *ASC 820*, Fair Value Measurements and Disclosures (formerly *SFAS No. 157*, Fair Value Measurements). This standard applies to financial instruments and defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price)."

The Organization adopted the standard that establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. *ASC 820*, among other things, requires to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value.

Contributions and Contributions Receivable

Contributions are recognized as revenue when received or unconditionally promised. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional pledges are recognized as receivables and revenue when the conditions on which they depend are substantially met.

Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization uses the allowance method to determine uncollectible receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

The Organization charges off uncollectible contributions receivable when management determines amounts are not collectable.

Note 1. Nature of activities and summary of significant accounting policies (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of three years.

No depreciation expense recorded for the years ended June 30, 2016; all fixed assets were fully depreciated as of June 30, 2016.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax on income under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701 (d). However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no tax on unrelated business income for year ended June 30, 2016.

Effective October 1, 2009, the Organization adopted Accounting for Uncertainty in Income Tax guidance *FASB ASC 740 – Accounting for Uncertainty in Income Taxes*. Accordingly, the Organization recognizes the effect of income tax positions only when those positions are more likely than not of being sustained. The organization believes the adoption of this guidance had no material impact on the organization's financial statements.

Note 2. Concentration of credit risk

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. Concentrations of credit risk financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. At times, a portion of these cash investments may not be insured by Federal Deposit Insurance Corporation. The potential concentration of credit risk pertaining to temporary cash investments will vary throughout the year depending upon the level of cash deposits versus amounts insured. The Organization is maintaining all deposits in high quality financial institutions. As of June 30, 2016, the Organization had an uninsured bank balance of \$2,214.

Note 3. Investments

The Organization had no investments at June 30, 2016.

Note 4. Accounts receivable

Account receivable consists of fees for services performed by the Organization. Accounts receivable as of June 30, 2016 are comprised of receivables from the following sources:

Alameda County Social Services Agency	\$	118,914
Cal OES		22,813
California Shakespeare Theater		1,070
Chabot-Las Positas Community College District		3,450
City of Berkeley		350
City of Oakland - Measure Y Oakland Unite JJC CM		10,661
City of Oakland - Measure Y Oakland Unite SPA		10,391
U.S. Department of Justice - Office of Juvenile Justice and Delinquency Prevention		84,439
San Francisco Unified School District		3,750
Other		3,149
The Port of Oakland		500
Thunder Road Treatment Facility		525
Less allowance for doubtful accounts		-
	\$	<u>260,011</u>

The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on experience from prior years and management's analysis of specific accounts. Management believes that all accounts receivable are collectable in full, therefore there were no allowance for uncollectible accounts receivable as of June 30, 2016.

Note 5. Property and Equipment

Property and equipment as of June 30, 2016 consists of the following:

Computers	\$	3,239
Less accumulated depreciation		<u>(3,239)</u>
Total	\$	<u>-</u>

The computers are fully depreciated for the years ended June 30, 2016.

Note 6. Temporarily restricted net assets

Temporarily restricted net assets consist of contributions and grants designated for specific purposes and unconditional pledges that will be received in the future. The composition of temporarily restricted net assets for the year ended June 30, 2016 are as follows:

<u>GRANTS and CONTRIBUTIONS (Purpose)</u>	<u>06/30/15</u>	<u>Additions</u>	<u>Releases</u>	<u>06/30/16</u>
SH Cowell Foundation (Training)	\$ 10,417	\$ -	\$ (10,417)	\$ -
Junior League of San Francisco, Inc. (Training)	5,047	-	(5,047)	-
First Presbyterian (Program)	8,572	-	(5,833)	2,739
Women Foundation (Case Management)	55,000	-	(25,000)	30,000
Hedge Fund/SF 49ers (Case Management)	-	35,000	(35,000)	-
Akonadi Foundation (Womyn Rysing Project)	-	10,000	(10,000)	-
Akay Foundation (Program)	-	2,000	(2,000)	-
The Lalor Foundation (Capacity Building)	-	25,000	(18,750)	6,250
Change a Path (SPA and Training Program)	-	25,000	(25,000)	-
United Methodist (Program)	-	1,500	(1,500)	-
The Morris Stulsaft Foundation (SPA Program)	-	20,000	(20,000)	-
National Council of Jewish Women (Education)	-	1,000	(1,000)	-
United Methodist Women (SPA Program)	-	5,000	(5,000)	-
Total	\$ <u>79,036</u>	\$ <u>124,500</u>	\$ <u>(164,547)</u>	\$ <u>38,989</u>

Note 7. Fees and grants from government agencies

The Organization was funded through the following grants and contracts. The grant periods coincided with the Organization's fiscal year.

Funding source	Contract number	Grant/Contract Amount
Alameda County Social Services Agency	PO# 14556	\$ 285,374
City of Oakland: Measure Y Oakland Unite SPA	G484757	43,881
City of Oakland: Measure Y Oakland Unite JJC CM	G484874	101,623
State of California: Human Trafficking Victim Assistance	HV1501873	22,813
US Department of Justice - Office of Juvenile Justice and Delinquency Prevention	2014-MC-FX-0007	154,433
Total		<u>\$ 608,124</u>

Note 8. Leases*Office Lease*

The Organization entered into a new commercial lease with Historic Central Building, LLC in 2014. The term of this lease commenced on July 1, 2014 and will end on July 30, 2017. The monthly rental payment is \$3,600. The lease expense for the year ended June 30, 2016 was \$44,367.

Equipment Lease

The Organization also signed a lease for a copier on December 1, 2013. The lease is classified as an operating lease. Monthly base lease payments for the copier is \$79 for 60 months, and expires on December 1, 2018. The total lease expense for the copier was 5,053 for the year ended June 30, 2016.

The future minimum lease payments as of June 30, 2016 are as follows:

For the year ended	Office	Equipment	Total
2017	\$ 44,490	\$ 948	\$ 45,438
2018	-	948	948
2019	-	395	395
Total	<u>\$ 44,490</u>	<u>\$ 2,291</u>	<u>\$ 46,781</u>

Note 9. Special event

In 2016, the Organization held a small fundraising event in San Francisco to support the victims of commercial sexual exploitation. The income and expenses for the event were \$467 and \$7,088 respectively.

Note 10. In-kind contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During the years ended June 30, 2016 the Organization received donated services from unpaid volunteers that do not satisfy the criteria for recognition under *FASB ASC 958-605-25-16*.

The manager estimated that the Organization received approximately 2,912 volunteer hours for the program and fundraising activities provided by 39 volunteers for the year ended June 30, 2016.

The estimated fair value of in-kind contribution for the year ended June 30, 2016 was \$-

Note 11. Contingencies

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged. Expenditures are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended June 30, 2016.

Note 12. Subsequent events

In accordance with *ASC 855*, Subsequent Events topic, the Organization evaluated subsequent events for recognition and disclosure through June 09, 2017, the date these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in such financial statements.



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**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 MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.

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 MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC. (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, 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 June 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered of MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, 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 MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 MOTIVATING, INSPIRING, SUPPORTING AND SERVING SEXUALLY EXPLOITED YOUTH, 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 the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. J. [unclear]", is positioned below the text.

Oakland, California
June 09, 2017