

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009



Leaf & Cole, LLP
Certified Public Accountants

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16
Schedule of Expenditures of Federal Awards	17 - 18
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	19 - 20
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	21 - 22
Schedule of Findings and Questioned Costs	23 - 24
Summary Schedule of Prior Audit Findings	25



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Social Advocates for Youth, San Diego, Inc.
8755 Aero Drive, Suite 100
San Diego, California 92123

We have audited the accompanying statements of financial position of Social Advocates for Youth, San Diego, Inc. as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Social Advocates for Youth, San Diego, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social Advocates for Youth, San Diego, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2010, on our consideration of Social Advocates for Youth, San Diego, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Leaf & Cole LLP
San Diego, California
October 19, 2010

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
<u>Assets:</u> (Notes 1, 2, 3, 4 and 6)		
Cash and cash equivalents	\$ 1,177,470	\$ 1,069,403
Investments	172,236	153,204
Accounts receivable	19,926	6,545
Grant receivable	1,433,496	1,951,602
Prepaid expenses and deposits	275,116	271,602
Property and equipment, net	<u>260,246</u>	<u>215,016</u>
TOTAL ASSETS	<u>\$ 3,338,490</u>	<u>\$ 3,667,372</u>

LIABILITIES AND NET ASSETS

<u>Liabilities:</u> (Notes 1, 5 and 6)		
Accounts payable	\$ 351,758	\$ 407,626
Accrued liabilities	664,190	576,978
Advance child care fees	60,933	40,523
Due to State of California	89,110	334,430
Deferred revenue	307,194	469,341
Line-of-credit	<u>200,000</u>	<u>-</u>
Total Liabilities	<u>1,673,185</u>	<u>1,828,898</u>
 <u>Commitments</u> (Notes 7 and 8)		
 <u>Unrestricted Net Assets</u>	 <u>1,665,305</u>	 <u>1,838,474</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,338,490</u>	<u>\$ 3,667,372</u>

The accompanying notes are an integral part of the financial statements

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
STATEMENTS OF ACTIVITIES
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Revenue, Support and Gains:</u>		
Cost reimbursement contracts	\$ 8,607,120	\$ 8,090,115
Performance based contracts	3,970,624	4,924,236
User/client fees	2,122,572	1,929,783
Grant revenue	1,249,361	706,863
Subsidy - State of California	350,003	362,071
Other	72,179	27,068
Contributions	59,312	70,115
Special events	34,057	26,338
Investment income	26,381	(20,572)
Total Revenue, Support and Gains	<u>16,491,609</u>	<u>16,116,017</u>
<u>Expenses:</u>		
Program Services:		
Extended Day After School Care	6,798,511	6,417,956
Child Abuse Prevention	2,136,812	2,672,604
Delinquency Prevention and Juvenile Diversion	1,509,680	1,787,094
Family Support and Development	1,276,257	1,052,003
Health Promotion	1,215,891	1,179,420
Mental Health	812,233	304,893
Alcohol, Tobacco and Other Drug Prevention	698,208	647,337
Community Development and Collaboration	442,902	114,807
School Readiness and Support	232,991	383,671
Total Program Services	<u>15,123,485</u>	<u>14,559,785</u>
Supporting Services:		
Management and general	1,343,407	1,397,506
Fundraising and development	197,886	256,151
Total Supporting Services	<u>1,541,293</u>	<u>1,653,657</u>
Total Functional Expenses	<u>16,664,778</u>	<u>16,213,442</u>
Change in Unrestricted Net Assets	<u>(173,169)</u>	<u>(97,425)</u>
Unrestricted Net Assets at Beginning of Year, Restated (Note 9)	<u>1,838,474</u>	<u>1,935,899</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 1,665,305</u></u>	<u><u>\$ 1,838,474</u></u>

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

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services									Support Services			Total	
	Delinquency Prevention and Juvenile Diversion	Extended Day After School Care	Family Support and Development	School Readiness and Support	Community Development and Collaboration	Alcohol, Tobacco and Other Drug Prevention	Health Promotion	Child Abuse Prevention	Mental Health	Total Program Services	Management and General	Fundraising and Development		Total Supporting Services
Salaries and fringe benefits	\$ 1,253,081	\$ 5,626,376	\$ 984,936	\$ 222,663	\$ 229,316	\$ 592,470	\$ 824,271	\$ 1,041,879	\$ 656,961	\$ 11,431,953	\$ 844,195	\$ 144,477	\$ 988,672	\$ 12,420,625
Contract services	62,540	361,223	135,159	1,284	93,952	15,834	247,413	878,674	94,363	1,890,442	223,065	4,634	227,699	2,118,141
Program supplies	964	251,810	15,038	3,177	6,715	5,206	13,573	1,964	1,227	299,674	1,480	10,566	12,046	311,720
Facilities cost	98,763	184,787	55,547	1,687	21,438	37,857	72,815	87,124	14,057	574,075	121,321	14,439	135,760	709,835
Wrap around services	42,945	83	31,531	61	60,276	6,019	14,569	78,613	6,594	240,691	21	2,269	2,290	242,981
Travel	17,045	138,996	14,036	612	1,594	10,676	8,779	21,289	13,154	226,181	7,078	318	7,396	233,577
Communication	20,908	31,905	10,898	659	4,311	8,230	9,987	11,122	4,866	102,886	12,954	1,730	14,684	117,570
Equipment purchased		27,235	4,830	270	2,305	139	1,650		5,476	41,905	2,541	272	2,813	44,718
Office expense	3,760	22,647	6,106	612	2,275	2,882	6,022	5,598	4,243	54,145	12,011	3,667	15,678	69,823
Printing and copier	2,720	23,757	5,742	1,115	4,152	9,418	9,934	4,235	1,497	62,570	34,269	13,205	47,474	110,044
Insurance	6,399	31,652	3,657	851	1,316	2,395	4,206	8,206	2,680	61,362	11,673	502	12,175	73,537
Other miscellaneous	273	40,982	1,696		2,565	1,289	49	52		46,906	32,385	1,054	33,439	80,345
Interest / bank fees		34,494								34,494	4,563		4,563	39,057
Conferences, dues and subscriptions	150	2,087	536		9,915	2,160	245	11	263	15,367	12,213	550	12,763	28,130
Advertising	132	4,709	263		131	2,066	281		419	8,001	7,942	6	7,948	15,949
Depreciation		14,483								14,483	10,996		10,996	25,479
Training		1,190	6,217		2,641	640	2,097	(1,955)	6,433	17,263	1,125	197	1,322	18,585
Bad Debt										-	1,956		1,956	1,956
Equipment rental and maintenance		95	65			927				1,087	1,619		1,619	2,706
Community services awards										-			-	-
TOTAL FUNCTIONAL EXPENSES	\$ 1,509,680	\$ 6,798,511	\$ 1,276,257	\$ 232,991	\$ 442,902	\$ 698,208	\$ 1,215,891	\$ 2,136,812	\$ 812,233	\$ 15,123,485	\$ 1,343,407	\$ 197,886	\$ 1,541,293	\$ 16,664,778

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

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services									Support Services			Total	
	Delinquency Prevention and Juvenile Diversion	Extended Day After School Care	Family Support and Development	School Readiness and Support	Community Development and Collaboration	Alcohol, Tobacco and Other Drug Prevention	Health Promotion	Child Abuse Prevention	Mental Health	Total Program Services	Management and General	Fundraising and Development		Total Supporting Services
Salaries and fringe benefits	\$ 1,434,409	\$ 4,577,132	\$ 852,060	\$ 346,167	\$ 74,537	\$ 533,876	\$ 782,914	\$ 1,085,587	\$ 244,034	\$ 9,930,716	\$ 911,289	\$ 190,993	\$ 1,102,282	\$ 11,032,998
Contract services	75,614	525,488	44,192	16,290	14,524	27,556	262,721	1,368,848	29,674	2,364,907	179,154	2,929	182,083	2,546,990
Program services	6,955	553,678	25,294	2,692	4,421	7,130	12,723	5,412	415	618,720	11,933	10,243	22,176	640,896
Facilities cost	103,322	178,769	64,076	4,473	8,698	27,895	72,497	102,005	10,812	572,547	105,884	13,755	119,639	692,186
Wrap around services	92,795	-	17,685	896	2,102	7,781	7,654	39,495	4,640	173,048	411	16,390	16,801	189,849
Travel	23,766	187,317	10,436	1,299	997	12,135	8,494	21,530	3,845	269,819	6,705	530	7,235	277,054
Communication	28,043	34,335	12,532	8,064	3,920	7,705	12,552	17,674	3,902	128,727	16,210	2,099	18,309	147,036
Equipment purchased	3,709	183,344	155	-	-	-	614	404	350	188,576	5,179	14	5,193	193,769
Office expense	6,689	24,465	7,920	630	1,646	4,125	6,168	6,602	727	58,972	12,331	2,338	14,669	73,641
Printing and copier	3,514	27,165	5,289	1,589	517	4,794	4,500	7,541	937	55,846	30,713	15,052	45,765	101,611
Insurance	7,014	28,863	3,632	927	191	2,295	4,540	10,002	1,144	58,608	8,277	618	8,895	67,503
Other miscellaneous	651	68,879	5,768	539	121	3,764	67	117	-	79,906	26,293	904	27,197	107,103
Interest / bank fees	-	39	-	-	-	-	-	-	-	39	47,133	-	47,133	47,172
Conferences, dues and subscriptions	295	6,974	678	62	604	4,417	500	313	8	13,851	12,006	214	12,220	26,071
Advertising	313	4,409	340	-	374	2,049	959	3,740	234	12,418	3,527	-	3,527	15,945
Depreciation	-	12,932	-	-	-	-	-	-	-	12,932	7,107	-	7,107	20,039
Training	-	3,785	1,935	42	2,055	1,810	2,505	2,991	4,170	19,293	3,259	45	3,304	22,597
Bad Debt	-	-	-	-	-	-	-	-	-	-	8,003	-	8,003	8,003
Equipment rental and maintenance	5	382	11	1	100	5	12	343	1	860	2,092	27	2,119	2,979
Community services awards	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 1,787,094	\$ 6,417,956	\$ 1,052,003	\$ 383,671	\$ 114,807	\$ 647,337	\$ 1,179,420	\$ 2,672,604	\$ 304,893	\$ 14,559,785	\$ 1,397,506	\$ 256,151	\$ 1,653,657	\$ 16,213,442

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

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ (173,169)	\$ (97,425)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,479	20,039
Net realized and unrealized (gains) losses on investments	15,510	23,886
(Increase) Decrease in:		
Accounts receivable	(13,381)	43,242
Grant receivable	518,106	46,326
Prepaid expenses and deposits	(3,514)	(30,786)
(Decrease) Increase in:		
Accounts payable	(55,868)	(330,132)
Accrued liabilities	87,212	80,411
Advance child care fees	20,410	(15,398)
Due to State of California	(245,320)	101,248
Deferred revenue	(162,147)	307,917
Net Cash Provided by Operating Activities	<u>13,318</u>	<u>149,328</u>
 <u>Cash Flows From Investing Activities:</u>		
Net sales (purchases) of investments	(34,542)	4,009
Purchase of property and equipment	(70,709)	-
Net Cash (Used in) Provided by Investing Activities	<u>(105,251)</u>	<u>4,009</u>
 <u>Cash Flows From Financing Activities:</u>		
Line-of-credit, net	<u>200,000</u>	-
Net Cash Provided by Financing Activities	<u>200,000</u>	-
 Net Increase in Cash and Cash Equivalents	108,067	153,337
 Cash and Cash Equivalents at Beginning of Year	<u>1,069,403</u>	<u>916,066</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,177,470</u></u>	<u><u>\$ 1,069,403</u></u>

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

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

Note 1 - Organization and Significant Accounting Policies:

Organization

Social Advocates for Youth, San Diego, Inc. (the "Organization") is a not-for-profit organization incorporated in 1971 under the laws of the State of California. The Organizations' comprehensive and integrated programs include Extended Day Services; Child Abuse Prevention; Delinquency Prevention and Diversion; Health Promotion; Family Support and Development; School Readiness and Support; Community Development and Collaboration; Alcohol, Tobacco and Other Drug Prevention and Mental Health. The Organization is funded through private and public grants and awards, user fees and contributions.

The following is a brief description of the Organization's programs:

Extended Day Services

During SAY San Diego's before and after school programs, experienced staff supervise and mentor elementary and middle school students and provide academic enrichment, recreation, counseling, developmental services and wellness education in a safe and supportive environment.

Child Abuse Prevention

SAY San Diego strengthens families with a goal of providing safe and nurturing homes where children can thrive. These programs provide intervention and prevention services to families, including home-based case management and counseling, parenting classes, parent support groups and foster/kinship support services.

Delinquency Prevention and Diversion

SAY San Diego helps at-risk youth develop positive life choices with the coordinated support of professional counselors, volunteers, family support workers and probation officers. Working with families and individuals to find their own solutions within their communities has resulted in the reoccurrence of involvement with the Juvenile Justice system decreasing by 90%.

Health Promotion

SAY San Diego helps children and families stay healthy by expanding access to affordable health care services. The program reaches out to parents with language, literacy or economic barriers; provides enrollment assistance and offers follow up services to ensure retention and utilization of health care services.

Family Support and Development

SAY San Diego is dedicated to providing coordinated, community-based services that strengthen the family and helps build a network of protection. Family support services include counseling, crisis intervention, after school programs, tax preparation assistance, health care and referrals for other services. Family Resource Centers, where many of these services are provided, are located throughout San Diego.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 1 - Organization and Significant Accounting Policies: (Continued)

Organization (Continued)

School Readiness and Support

SAY San Diego provides students and parents the support needed to succeed in school. Activities for school aged children focus on building self esteem, improving peer relationships and improving social and academic well being. Activities for children aged 0 to 5 stimulate early learning that is essential to language development. Services also include tutoring, support, counseling and crisis intervention.

Community Development and Collaboration

SAY San Diego's commitment to whole child, whole family, and whole community has resulted in the development of several neighborhood based collaboratives. These partnerships bring the youth and families, residents, area businesses, schools, the Juvenile Justice system and social service organizations together to build healthy, safe communities with accessible, unduplicated resources for families and community members.

Alcohol, Tobacco and Other Drug Prevention

SAY San Diego's leadership in promoting positive choices has evolved into working as the lead of several award winning prevention coalitions in neighborhoods throughout the City of San Diego. SAY's role assures the availability of cost effective, unduplicated resources. Highlights include the coordination of alcohol free holiday events, momentum teams and a Youth Council.

Mental Health

SAY San Diego's holistic solutions to strengthening the whole child, whole family, whole community includes providing mental health counseling for high-risk youth. The services are available in many of SAY's programs, and provided in-home, school-based and throughout all San Diego County Probation facilities.

Significant Accounting Policies

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with U.S. generally accepted accounting principles and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

Financial Statement Presentation

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Fair Value Measurements

The Organization has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

The Organization's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in corporate stocks are considered Level 1 and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in fixed income securities and fixed rate cap securities are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.

Accounts Receivable

Management believes that all accounts receivable as of June 30, 2010 and 2009, were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Capitalization and Depreciation

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Furniture and equipment	5 years
Leasehold improvements	2 - 7 years
Modular classroom buildings	25 years

Depreciation aggregated \$25,479 and \$20,039 for the years ended June 30, 2010 and 2009, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Compensated Absences

Accumulated unpaid vacation amounts are recorded as an expense and liability as benefits accrue to employees. Accrued vacation totaled \$377,898 and \$307,857 at June 30, 2010 and 2009, respectively and have been included in accrued liabilities.

Advance Child Care Fees

Child care fees received in advance are deferred and recognized in the period to which the income relates. Advanced child care fees totaled \$60,933 and \$40,523 at June 30, 2010 and 2009, respectively.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Revenue Recognition

Grant revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant or contract. Grants receivable are recorded when revenue earned under a grant or contract exceeds the cash received. Deferred revenue is recorded when cash received under a grant or contract exceeds the revenue earned. Deferred revenue totaled \$307,194 and \$469,341 at June 30, 2010 and 2009, respectively.

The Organization receives contract revenue (paypoint contracts) based upon certain time-specific benchmarks provided by the grantor. Some time-periods may have begun prior to June 30, 2010 and 2009, but the benchmark was not met until the subsequent year.

Donated Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended June 30, 2010 and 2009, did not meet the requirements above, therefore no amounts were recognized in the financial statements.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). The Organization is not a private foundation.

The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

Concentration of Credit Risk

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 1 - Organization and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 19, 2010, the date the financial statements were available to be issued.

Reclassification

The Organization has reclassified certain prior year information to conform with current year presentations.

Note 2 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30:

	2010		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2010
Corporate stocks	\$ 58,657	\$ -	\$ 58,657
Fixed income securities	-	88,583	88,583
Preferreds/fixed rate cap securities	-	13,845	13,845
	\$ 58,657	\$ 102,428	\$ 161,085
	2009		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2009
Corporate stocks	\$ 68,252	\$ -	\$ 68,252
Fixed income securities	-	69,811	69,811
Preferreds/fixed rate cap securities	-	12,482	12,482
	\$ 68,252	\$ 82,293	\$ 150,545

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2010 and 2009:

	2010	2009
Interest and dividend income	\$ 7,994	\$ 3,314
Net realized and unrealized gains and (losses)	18,387	(23,886)
Investment Income	\$ 26,381	\$ (20,572)

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 3 - Grants Receivable:

Grants receivable consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
County of San Diego	\$ 827,009	\$ 1,157,873
San Diego Unified School District	331,961	618,539
California Department of Public Health	73,725	50,089
South Bay Community Services	52,681	52,618
Other	148,120	72,483
Total Grants Receivable	<u>\$ 1,433,496</u>	<u>\$ 1,951,602</u>

Management believes all grants receivable are fully collectible; therefore, no allowance for doubtful accounts has been established at June 30, 2010 and 2009.

Significant concentrations of revenues include \$4,682,347 from San Diego Unified School District, \$2,792,798 from County of San Diego Health and Human Services, \$1,606,829 from First 5 Commission of San Diego County for the year ended June 30, 2010. Significant concentrations of revenues include \$4,756,419 from San Diego Unified School District, \$2,071,804 from County of San Diego Child Welfare Services and \$1,234,975 from County of San Diego Probation Services for the year ended June 30, 2009.

Note 4 - Property and Equipment:

Property and equipment are comprised of the following at June 30:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 151,088	\$ 102,741
Leasehold improvements	38,503	36,307
Modular classroom buildings	343,469	323,303
Total	<u>533,060</u>	<u>462,351</u>
Less: Accumulated depreciation	<u>(272,814)</u>	<u>(247,335)</u>
Property and Equipment, Net	<u>\$ 260,246</u>	<u>\$ 215,016</u>

Note 5 - Deferred Revenue:

Deferred revenue consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Price Charities - Leadership Transition Project	\$ 126,508	\$ 83,432
Southeast San Diego Living Healthier Project	41,452	-
Fieldstone Foundation	31,870	31,870
Jacobs Foundation - Opening Doors Project	28,097	-
Price Charities - Youth Organization Project	26,233	-
Other Programs	22,870	20,146
Americorp	17,449	-
California Endowment - Building Healthy Communities	12,715	241,732
San Diego Women's Foundation - PROJECT LIVE	-	30,714
United Way Financial Literacy	-	38,172
The California Endowment - Dad's Club	-	23,274
Total	<u>\$ 307,194</u>	<u>\$ 469,340</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 6 - Line-of-Credit:

The Organization has a secured business line-of-credit agreement with NCB Capital Impact under which the Organization may borrow up to \$750,000. Advances under this agreement, which expires April 1, 2011, bear interest at the 30 day Libor rate plus 350 basis points with an interest floor of 3.50% (3.85% at June 30, 2010) and is secured by accounts receivable and equipment. The balance on the line-of-credit totaled \$200,000 and \$-0- at June 30, 2010 and 2009, respectively.

Note 7 - Lease Obligations:

The Organization leases certain facilities under agreements which expire at various dates to May 31, 2015. Other facilities, principally child care sites leased from public school districts, are currently rented on a month-to-month basis. In addition, the Organization leases certain equipment under leases expiring at various dates to October 15, 2011.

The following is a schedule of future minimum payments under the leases:

<u>Years Ended June 30,</u>	
2011	\$ 451,784
2012	383,122
2013	204,525
2014	159,840
2015	164,635
Thereafter	<u>41,870</u>
Total	<u>\$ 1,405,776</u>

Total rental expense was \$644,730 and \$637,112 for the years ended June 30, 2010 and 2009, respectively, and is included in facilities cost in the statements of functional expenses.

Note 8 - Retirement Plan:

The Organization has adopted a tax shelter annuity plan covering all eligible employees. The plan provides that the Organization match employee contributions up to 4% of the participant's compensation. The Organization's contributions totaled \$137,429 and \$153,160 for the years ended June 30, 2010 and 2009, respectively, and are included in salaries and fringe benefits in the statements of activities.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Note 9 - Restatement:

Certain adjustment resulting in a decrease in net assets of \$20,032 at June 30, 2008, were made during the current year which resulted in a restatement of previously reported amounts as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Financial Position:			
Due to State of California	\$ 146,229	\$ 188,201	\$ 334,430
Unrestricted Net Assets	<u>\$ 2,026,675</u>	<u>\$ (188,201)</u>	<u>\$ 1,838,474</u>
Statement of Activities:			
Subsidy - State of California	<u>\$ 530,240</u>	<u>\$ (168,169)</u>	<u>\$ 362,071</u>
Unrestricted Net Assets Beginning of Year	<u>\$ 1,955,931</u>	<u>\$ (20,032)</u>	<u>\$ 1,935,899</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Programs			
Drug-Free Communities Support Program Grants	93.276		\$ <u>135,113</u>
Pass-Through Programs From:			
County of San Diego:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		484,996
Promoting Safe and Stable Families	93.556		442,529
Block Grants for Community Mental Health Services	93.958		393,274
Community Services Block Grant	93.569		345,906
Community Based Child Abuse Prevention Grants	93.590		131,319
Medical Assistance Program	93.778		128,050
ARRA-Community Services Block Grant	93.710		107,051
Child Welfare Services - State Grants	93.645		<u>76,041</u>
Total County of San Diego			<u>2,109,166</u>
State of California:			
Temporary Assistance for Needy Families	93.558		174,797
Child Care and Development Block Grant	93.575	CIMS-7532	<u>722</u>
Total State of California			<u>175,519</u>
Total Department of Health and Human Services			<u>2,419,798</u>

(Continued)

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grants/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Pass-Through Programs From:			
County of San Diego:			
Community Development Block Grants/ Entitlement Grants	14.218		\$ <u>250</u>
City of San Diego:			
Community Development Block Grants/ Entitlement Grants	14.218		<u>30,772</u>
Total Department of Housing and Urban Development			<u>31,022</u>
U.S. Department of Education:			
Pass-Through Programs From:			
County of San Diego:			
Special Education Grants to States	84.027		<u>114</u>
Total Department of Education			<u>114</u>
Total Federal and State Financial Assistance			<u><u>\$ 2,450,934</u></u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



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A Partnership of Professional Corporations

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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
Social Advocates for Youth, San Diego, Inc.

We have audited the financial statements of Social Advocates for Youth, San Diego, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated October 19, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Social Advocates for Youth, San Diego, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Social Advocates for Youth, San Diego, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Social Advocates for Youth, San Diego, Inc.'s internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Social Advocates for Youth, San Diego, Inc.'s financial statements are free of 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.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole LLP
San Diego, California
October 19, 2010



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**Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

To the Board of Directors
Social Advocates for Youth, San Diego, Inc.

Compliance

We have audited Social Advocates for Youth, San Diego, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Social Advocates for Youth, San Diego, Inc.'s major federal programs for the year ended June 30, 2010. Social Advocates for Youth, San Diego, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Social Advocates for Youth, San Diego, Inc.'s management. Our responsibility is to express an opinion on Social Advocates for Youth, San Diego, Inc.'s compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Social Advocates for Youth, San Diego, 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. Our audit does not provide a legal determination of Social Advocates for Youth, San Diego, Inc.'s compliance with those requirements.

In our opinion, Social Advocates for Youth, San Diego, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Social Advocates for Youth, San Diego, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Social Advocates for Youth, San Diego, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Social Advocates for Youth, San Diego, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Social Advocates for Youth, San Diego, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Social Advocates for Youth, San Diego, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Leaf & Cole LLP
San Diego, California
October 19, 2010

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Reportable condition(s) identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> No	

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Reportable condition(s) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No	

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs: U.S. Department of Health and Human Services:

<u>CDFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.958	Block Grants for Community Mental Health Services
93.556	Promoting Safe and Stable Families
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.276	Drug-Free Communities Support Program Grants
93.710	ARRA - Community Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

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

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010**

Section II - Financial Statement Findings:

None

Section III – Federal Award Findings and Questioned Costs:

None

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

There were no prior audit findings for Social Advocates for Youth, San Diego, Inc. relative to federal awards.



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October 19, 2010

Ms. Jane Drover
Social Advocates for Youth, San Diego, Inc.
8755 Aero Drive, Suite 100
San Diego, California 92123

Dear Ms. Drover:

Enclosed are the audited financial statements for Social Advocates for Youth, San Diego, Inc. for the year ended June 30, 2010. Following are the filing requirements for these reports.

Federal Audit Clearinghouse:

The single audit reporting package is required to be submitted electronically through the Federal Audit Clearinghouse Internet Data Entry System. We have entered the Form SF-SAC and uploaded the complete single audit package as required. The submission must still be certified by both the auditee and the auditor. Upon receipt of the e-mail from the Federal Audit Clearinghouse we will certify as the auditor.

You will receive an e-mail from the Federal Audit Clearinghouse with instructions as to how you enter your signature codes online to certify the submission. The federal Audit Clearinghouse will send e-mails to the auditee and auditor to confirm the receipt of the Form SF-SAC and single audit reporting package. Please print the e-mail and retain for your records.

Very truly yours,

LEAF & COLE, LLP

A handwritten signature in black ink, appearing to read 'Michael J. Zizzi', written in a cursive style.

Michael J. Zizzi

Enclosures