

Social Advocates for Youth, San Diego, Inc.

FINANCIAL STATEMENTS

June 30, 2023

See Independent Auditor's Report

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Financial Statements with Supplemental Information

Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information:	
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 <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	17
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Schedule of Prior Year Findings	22

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Social Advocates for Youth, San Diego, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Social Advocates for Youth, San Diego, Inc. as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Social Advocates for Youth, San Diego, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Social Advocates for Youth, San Diego, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Social Advocates for Youth, San Diego, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Social Advocates for Youth, San Diego, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, on our consideration of the 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 solely 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 effectiveness of the Social Advocates for Youth, San Diego, Inc.'s 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 the Social Advocates for Youth, San Diego, Inc.'s internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
March 28, 2024

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Statement of Financial Position

June 30, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,690,123
Accounts receivable		5,338
Investments		4,681,229
Grants receivable		3,507,355
Prepaid expenses and other current assets		<u>409,313</u>

Total Current Assets 10,293,358

Long - Term Assets:

Operating lease right-of-use asset		1,979,155
Property and Equipment, net of accumulated depreciation		<u>515,682</u>

Total Long - Term Assets 2,494,837

Total Assets \$ 12,788,195

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	1,042,784
Accrued expenses		1,309,087
Fee for service liability		75,375
Deferred revenue		1,207,761
Current portion of operating lease liabilities		<u>750,319</u>

Total Current Liabilities 4,385,326

Long - Term Liabilities:

Operating lease liabilities, net of current portion		<u>1,330,949</u>
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Total Liabilities 5,716,275

Net Assets Without Donor Restrictions 7,071,920

Total Liabilities and Net Assets \$ 12,788,195

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Statement of Activities

Year Ended June 30, 2023

Revenue and Support Without Donor Restriction:

Cost reimbursement grants	\$	13,876,246
Fee for service revenue		4,024,307
Performance based grants		2,358,692
Grant revenue		1,309,093
Investment income		369,787
Contributions		221,969
Contributed nonfinancial assets		185,220
Other revenue		58,440

Total Revenue and Support Without Donor Restriction 22,403,754

Expenses:

Program Services:

Child and youth development	8,894,366
Community engagement	5,175,990
Youth, adult, and family wellness	4,388,061
Everyday Support	150,653

Supporting Services:

Management and general	3,232,004
Resource Development (fundraising)	418,867

Total Expenses 22,259,941

Change in Net Assets 143,813

Net Assets Without Donor Restrictions, beginning 6,928,107

Net Assets Without Donor Restrictions, ending \$ 7,071,920

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Services			Total
	Child and Youth Development	Community Engagement	Youth, Adult, and Family Wellness	Everyday Support	Total Program Services	Management and General	Resource Development (Fundraising)	
Salaries and fringe benefits	\$ 6,460,048	\$ 3,517,953	\$ 2,928,777	\$ 74,778	\$ 12,981,556	\$ 2,022,918	\$ 234,642	\$ 15,239,116
Contract services	1,067,619	651,156	638,942	113	2,357,830	268,872	125,224	2,751,926
Facilities	568,859	419,506	339,703	8,752	1,336,820	185,521	30,499	1,552,840
Client support	550,044	226,965	201,066	66,311	1,044,386	587	7,683	1,052,656
Operations	151,841	71,595	49,675	413	273,524	684,496	17,068	975,088
Equipment purchase and rental	7,892	29,754	138,798	-	176,444	20,268	248	196,960
In-kind goods and services	-	143,426	22,658	-	166,084	19,136	-	185,220
Travel and training	65,473	61,201	31,046	108	157,828	5,461	1,054	164,343
Office expense	20,339	53,907	37,396	178	111,820	15,726	2,449	129,995
Miscellaneous	2,251	527	-	-	2,778	9,019	-	11,797
	<u>\$ 8,894,366</u>	<u>\$ 5,175,990</u>	<u>\$ 4,388,061</u>	<u>\$ 150,653</u>	<u>\$ 18,609,070</u>	<u>\$ 3,232,004</u>	<u>\$ 418,867</u>	<u>\$ 22,259,941</u>

See accompanying notes to financial statements.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Change in net assets	\$ 143,813
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	214,635
Non-cash operating lease expense	1,673
Net realized and unrealized gains	(103,420)
Changes in operating assets and liabilities:	
Accounts receivable	50,422
Grants receivable	(1,058,626)
Prepaid expenses and other current assets	(29,605)
Accounts payable	735,874
Accrued expenses	258,630
Fee for service liability	(32,187)
Deferred revenue	(163,349)
Net Cash Provided by Operating Activities	17,860
Cash Flows from Investing Activities:	
Proceeds from sale of investments	1,859,515
Purchases of investments	(2,548,367)
Net Cash Used by Investing Activities	(688,852)
Cash Flows Used by Financing Activities:	
Payments on debt obligations	(182,833)
Net Decrease in Cash and Cash Equivalents	(853,825)
Cash and Cash Equivalents, beginning	2,543,948
Cash and Cash Equivalents, ending	\$ 1,690,123
Supplemental Disclosure of Noncash Investing and Financing Activities:	
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 2,787,588

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Social Advocates for Youth, San Diego, Inc. (Organization) is a California nonprofit organization formed in 1971 with a vision of Opportunity, Equity and Well-being for all San Diegans. Its mission is to partner with youth, families, adults and communities to reach their full potential and is achieved through comprehensive and integrated programming in the areas of Child and Youth Development; Youth, Adult and Family Wellness; Community Engagement; and Everyday Support. The Organization values include supporting youth-led, family-led and community-led solutions; standing shoulder to shoulder in partnership; bridging gaps and opportunities; leading with trust and credibility; championing diverse and inclusive communities and believing in the integrity of all. The Organization achieves this with funding through private and public grants and awards, user fees and contributions.

New Accounting Pronouncements

The Organization adopted Accounting Standards update (ASU) 2016-02, *Leases* as of July 1, 2022. The standard provides guidance on the recognition, measurement, presentation, and disclosures of leases. The new standard supersedes previous accounting principles generally accepted in the United States (US GAAP) guidance on leases and requires substantially all leases to be reported on the statement of financial position as right-of-use assets and lease liabilities, as well as additional disclosures (see note 7). The Organization adopted this standard using the modified retrospective approach. Upon adoption, the Organization recognized right of use assets of \$2,687,148 and operating lease liabilities of \$2,787,588.

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding their financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization did not have any donor restrictions that were temporary or perpetual in nature for the year ended June 30, 2023.

Use of Estimates

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

Cash and Cash Equivalents

The Organization includes all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments with an original maturity of 90 days or less, as cash and cash equivalents.

Accounts and Grants Receivable

The accounts and grants receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts and grants receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at June 30, 2023 and 2022 because management believes that all amounts are collectible.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Investments

Investments are reported at fair value with realized and unrealized gains and losses included in the change in net assets.

Property and Equipment

Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of five to 25 years.

Revenue and Support

Contracts

The Organization recognizes revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Fee for Service

The Organization provides before and after school day care services for a fee. Generally, customers are billed monthly in advance for the services to be provided. The Organization recognizes revenue from contracts with customers when its performance obligations are satisfied, regardless of the period in which it is billed. This is typically over time as the service is provided.

Fee for Service Liability

The fee for service liability represents prepayments received by the Organization for providing before and after school day care services and funds received in advance of services performed. Revenue will be recognized as the services are performed.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Grants

Grants received are 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. Unearned revenue is recorded when cash received under a grant or contract exceeds the revenue earned.

Contributed Nonfinancial Assets

Contributed goods are recorded at their estimated fair market value at the time of donation. Such items are capitalized or charged to operations as appropriate. The fair market value of contributed professional services is reported as in-kind donation support and expensed in the period in which the services are performed.

The Organization also receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the financial statements because the criteria for recognition as contributions of such volunteer effort have not been satisfied.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred.

Functional Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses (benefits, payroll taxes, etc.) and contract services are allocated on the basis of time and effort. All other expenses are broken out by accounts and are charged to the program or service based on direct usage or using full time equivalents as an allocation method.

Income Taxes

The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Organization remains subject to taxes on any net income which is derived from a trade or business regularly carried on and unrelated to its exempt purpose.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities when applicable. Management has determined that the Organization has no uncertain tax positions at June 30, 2023 and therefore no amounts have been accrued.

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash and cash equivalents, receivables, payables, and notes payable approximates fair value as of June 30, 2023, due to the relative short maturities of these instruments.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Future Accounting Standard

The Financial Accounting Standards Board (FASB) has issued one substantial ASU which will become effective in a future year.

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments-Credit Losses*. The standard requires timelier recording of credit losses on loans and other financial instruments by transitioning from an incurred-loss model to expected loss model. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new guidance affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash, but does not require a specific credit loss method, allowing an organization to use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Organization is still evaluating the effects that the provisions of ASU 2016-13 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through March 28, 2024, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual obligations within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,690,123
Accounts receivable	5,338
Investments	4,681,229
Grants receivable	<u>3,507,355</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,884,045</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization manages its liquidity and reserves through maintaining and reviewing budget to actual amounts and forecasted cash flows on a regular basis. The Organization also operates within a prudent range of financial soundness and stability and constantly maintains adequate liquid assets to fund near term operating needs.

Additionally, the Organization maintains a \$550,000 line of credit, as discussed in more detail in Note 9. As of June 30, 2023, \$550,000 remains available on the Organization's line of credit.

Note 3 – Concentrations of Credit Risk

Cash and Cash Equivalents

The Organization maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. The Organization's account balances may, at times, exceed the limits.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 3 – Concentrations of Credit Risk, continued

Revenues

During the year ended June 30, 2023, the Organization received funding of \$15,025,537 (67%) from three sources. For the year ended June 30, 2023, the Organization had grants receivable in the amount of \$1,926,227 (79%) from three sources.

Note 4 – Grants Receivable

Grants receivable consist of the following at June 30, 2023:

San Diego Unified School District	\$	1,468,562
County of San Diego		1,070,497
United States Department of Justice		188,204
Other		175,107
U.S. Department of Health and Human Services		160,470
City of San Diego		121,853
Harm Reduction Coalition		117,500
City Heights Community Development		102,973
California Department of Public Health		102,189
		<u>3,507,355</u>
	\$	<u>3,507,355</u>

Note 5 – Investments

The following table presents the fair value measurement hierarchy of investments at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Large cap - domestic	\$ 115,757	\$ -	\$ -	\$ 115,757
Small cap - domestic	79,618	-	-	79,618
Fixed income - domestic	2,048,105	-	-	2,048,105
Equity Securities:				
Large cap - domestic	1,419,264	-	-	1,419,264
Large cap - international	799,486	-	-	799,486
Small cap - international	165,653	-	-	165,653
Money Market	53,346	-	-	53,346
	<u>\$ 4,681,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,681,229</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30, 2023:

Modular classroom buildings	\$ 366,672
Furniture and equipment	104,935
Leasehold improvements	<u>1,225,594</u>
	1,697,201
Less accumulated depreciation	<u>(1,181,519)</u>
	<u>\$ 515,682</u>

Note 7 – Leasing Arrangements

The Organization has operating leases of office buildings under agreements with contractual periods ranging from 1 to 3 years. The buildings are located in the San Diego. Certain lease agreements contain scheduled rent escalation clauses and others include rental payments adjusted periodically depending on an index or rate. Some of the leases contain one or more options to extend. The exercise of lease renewal options is generally at the Organization's sole discretion. Options that are reasonably certain to be exercised, considering all relevant economic and financial factors, are included in the lease term. Certain lease agreements also contain lease incentives, such as tenant improvement allowances and rent holidays. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees. The Organization elected the package of practical expedients permitted under the transition guidance within the standard, which among other things, allowed the Organization to carry forward the historical lease classification.

The Organization has elected the practical expedient to account for the lease and non-lease components as a single lease component (e.g. maintenance and operating services). Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. All variable payments not based on a market rate or an index are expensed as incurred.

The Organization determines if an arrangement is or contains a lease at contract inception. The Organization recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the Organization determines the discount rate, the lease term, and the lease payments.

The following summarizes the operating leases as of June 30, 2023:

<u>Operating Leases</u>	
Operating lease right-of-use assets	\$ <u>1,979,155</u>
Current portion of operating lease liabilities	\$ 750,319
Operating lease liabilities, net of current portion	<u>1,330,949</u>
Total operating lease liabilities	<u>\$ 2,081,268</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 7 – Leasing Arrangements

The following summarizes the line items in the income statement which include the components of lease expense for the year ended June 30, 2023:

Operating lease expense, included in facilities	\$ 776,493
Short-term lease expense, included in facilities	290,529
Total lease cost	<u>\$ 1,067,022</u>

Supplemental cash flow information related to leases for the year ended June 30, 2023 was as follows:

Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 774,820
Lease assets obtained in exchange for lease liabilities	
Operating leases	\$ 2,787,588

Supplemental statement of financial position information related to leases as of June 30, 2023 was as follows:

Weighted average remaining lease term - Operating leases	2.65
Weighted average discount rate - Operating leases	2.85%

Rent expense under all operating lease agreements was \$1,047,529 for the year ended June 30, 2023.

Under previous leasing standards, future minimum lease payments for the non-cancellable operating leases at June 30, 2022 were as follows:

2023	\$ 567,607
2024	372,687
2025	360,192
2026	184,137

Note 8 – Deferred Revenue

Deferred revenue consists of the following at June 30, 2023:

Community Support Services	\$ 333,932
Education and Outreach	272,660
Family Support Services	247,010
Program Expansion	185,293
Military Family Resource Center	<u>168,866</u>
	<u>\$ 1,207,761</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Year Ended June 30, 2023

Note 9 – Line of Credit

The Organization has a \$550,000 line of credit with Torrey Pines Bank that matures on March 3, 2024 and bears a variable interest rate calculated by the financial institution, which was 8.25% at June 30, 2023. There was no outstanding balance on the Torrey Pines Bank line of credit as of June 30, 2023.

Note 10 – Contributed Nonfinancial Assets

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities included:

Volunteer Services	\$	109,660
Rent		64,500
Legal		6,960
Event services		4,100
		<hr/>
	\$	<u>185,220</u>

The Organization recognized contributed nonfinancial assets within revenue, including various services and rent. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized are comprised of volunteers, legal and event services. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed rent recognized is comprised of payments toward facilities. Contributed rent is valued and reported at the amount of covered lease payments.

Note 11 – 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 \$183,081 for the year ended June 30, 2023, and are included in salaries and fringe benefits in the statement of functional expenses.

Note 12 – Contingencies

The Organization may periodically be a party in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its financial position, results of operations or liquidity.

SUPPLEMENTAL INFORMATION

**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 Social Advocates for Youth, San Diego, 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 Social Advocates for Youth, San Diego, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 March 28, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Social Advocates for Youth, San Diego, 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*.

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*, CONTINUED

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 Social Advocates for Youth, San Diego, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
March 28, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Social Advocates for Youth, San Diego, Inc.'s 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 Social Advocates for Youth, San Diego, Inc.'s major federal programs for the year ended June 30, 2023. 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.

In our opinion, Social Advocates for Youth, San Diego, Inc. compiled, 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 June 30, 2023.

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 Social Advocates for Youth, San Diego, Inc. 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 Social Advocates for Youth, San Diego, Inc.'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 Social Advocates for Youth, San Diego, Inc.'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 Social Advocates for Youth, San Diego, Inc.'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 Social Advocates for Youth, San Diego, Inc.'s compliance with the requirements of each major federal program as a whole.

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

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 Social Advocates for Youth, San Diego, Inc.'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 Social Advocates for Youth, San Diego, Inc.'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 Social Advocates for Youth, San Diego, Inc.'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.

Aldrich CPAs + Advisors LLP

San Diego, California
March 28, 2024

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal/Pass-Through Grantor and Program Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor Number	Expenditures
477 Cluster			
<u>U.S. Department of Health and Human Services</u>			
Pass-through Programs From County of San Diego:			
Temporary Assistance for Needy Families	93.558	545581	\$ <u>1,073,583</u>
Total 477 Cluster			1,073,583
Other Programs			
<u>U.S. Department of Justice</u>			
Direct Programs:			
Community-Based Violence Prevention Program	16.123	2020-MU-MU-0010	<u>124,406</u>
Total U.S. Department of Justice			124,406
<u>U.S. Department of Education</u>			
Pass-through Programs From South Bay Community Services:			
Promise Neighborhood	84.215N	U215N180049	<u>120,025</u>
Total U.S. Department of Education			120,025
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Healthy Marriage and Responsible Fatherhood	93.086	90ZJ008	<u>921,397</u>
Total Direct Programs			921,397
Pass-through Programs From County of San Diego:			
Injury Prevention and Control Research and State and Community Based Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.136	551550/551547	17,158
Drug Free Communities Support	93.243	5H79SP082347	326,741
Promoting Safe and Stable Families	93.276	INH28CE003088	125,465
Community-Based Child Abuse Prevention Grants	93.556	551375	132,705
Stephanie Tubbs Jones Child Welfare Services Program	93.590	SC-SAY-22-25	37,292
Child Abuse an Neglect State Grants	93.645	551375	52,034
Block Grants for Prevention and Treatment of Substance Abuse	93.669	SC/FE-SAY-22-25	117,453
	93.959	551547/551550	<u>815,070</u>
Total U.S. Department of Health and Human Services			<u>2,545,315</u>
Total Other Programs			<u>2,789,746</u>
Total expenditures of federal awards			<u>\$ <u>3,863,329</u></u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Social Advocates for Youth, San Diego, Inc. and is presented on the 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). Because the schedule presents only a selected portion of the operations of Social Advocates for Youth, San Diego, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Social Advocates for youth, San Diego, Inc.

Note 2 – Summary of Significant Accounting Policies

Social Advocates for Youth, San Diego, Inc. did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 indirect costs.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Significant deficiency(ies) identified? ___yes x_none identified
Material weakness(es) identified? ___yes x_no

Noncompliance material to the financial statements noted? ___yes x_no

Federal Awards

Internal control over major programs:
Significant deficiency(ies) identified? ___yes x_none identified
Material weakness(es) identified? ___yes x_no

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 the Uniform Guidance, 2.CFR.200.516(a)? ___yes x_no

Identification of major programs:

<u>Federal Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
93.243	Substance Abuse and Mental Health Services
93.558	Temporary Assistance for Needy Families

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

Auditee qualified as a low-risk auditee under the Uniform Grant Guidance, 2.CFR.200.520? x_yes ___no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Schedule of Prior Year Findings

Year Ended June 30, 2023

Section IV – Schedule of Prior Year Findings

None