

# Social Advocates for Youth, San Diego, Inc.

Financial Statements with Supplemental Information

Years Ended June 30, 2022 and 2021



# **SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

## **Financial Statements with Supplemental Information**

Years Ended June 30, 2022 and 2021

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## 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 statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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. 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 opinions.

#### ***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.

### **Supplemental 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 29, 2023, 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 29, 2023

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Statements of Financial Position**

June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,543,948	\$ 2,367,880
Accounts receivable	55,760	77,977
Investments	3,888,957	4,296,512
Grants receivable	2,448,729	2,225,338
Prepaid expenses and other current assets	450,413	328,883
	<hr/>	<hr/>
Total Current Assets	9,387,807	9,296,590
Property and Equipment, net of accumulated depreciation	730,317	940,362
	<hr/>	<hr/>
Total Assets	\$ 10,118,124	\$ 10,236,952
	<hr/>	<hr/>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 306,910	\$ 331,795
Accrued expenses	1,050,457	1,042,037
Fee for service liability	107,562	145,882
Deferred revenue	1,371,110	931,025
Current portion of deferred lease incentives	48,899	48,899
Current portion of note payable	182,833	108,333
	<hr/>	<hr/>
Total Current Liabilities	3,067,771	2,607,971
Deferred Lease Incentives, net of current portion	122,246	171,145
Note Payable, net of current portion	-	182,834
	<hr/>	<hr/>
Total Non-Current Liabilities	122,246	353,979
	<hr/>	<hr/>
Total Liabilities	3,190,017	2,961,950
Net Assets Without Donor Restrictions	6,928,107	7,275,002
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 10,118,124	\$ 10,236,952
	<hr/>	<hr/>

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Statements of Activities**

Years Ended June 30, 2022 and 2021

	2022	2021
Revenue and Support Without Donor Restriction:		
Cost reimbursement grants	\$ 11,097,132	\$ 10,556,798
Fee for service revenue	3,682,158	349,599
Performance based grants	1,921,172	3,086,979
Grant revenue	1,147,191	1,377,986
Contributed nonfinancial assets	275,255	224,702
Other revenue	167,727	45,269
Contributions	175,323	84,744
Paycheck Protection Program loan forgiveness	-	1,994,300
Investment income	(377,943)	668,867
Total Revenue and Support Without Donor Restriction	18,088,015	18,389,244
Expenses:		
Program Services:		
Child and youth development	6,108,944	4,160,334
Community engagement	5,077,525	4,895,624
Youth, adult, and family wellness	3,935,793	4,687,568
Resource and referral	103,916	-
Supporting Services:		
Management and general	2,953,943	2,832,599
Fundraising and development	254,789	300,743
Total Expenses	18,434,910	16,876,868
Change in Net Assets	(346,895)	1,512,376
Net Assets Without Donor Restrictions, beginning	7,275,002	5,762,626
Net Assets Without Donor Restrictions, ending	\$ 6,928,107	\$ 7,275,002

# **SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

## **Statements of Functional Expenses**

Year Ended June 30, 2022

	Program Services					Supporting Services		
	Child and Youth Development	Community Engagement	Youth, Adult, and Family Wellness	Resource and Referral	Total Program Services	Management and General	Fundraising and Development	Total
Salaries and fringe benefits	\$ 4,716,311	\$ 3,520,977	\$ 2,760,807	\$ 60,478	\$ 11,058,573	\$ 1,981,101	\$ 117,425	\$ 13,157,099
Contract services	312,566	575,794	563,679	637	1,452,676	183,161	71,369	1,707,206
Facilities	497,429	393,853	340,999	4,610	1,236,891	124,193	50,795	1,411,879
Operations	113,999	51,823	28,787	303	194,912	574,409	11,195	780,516
Client support	253,500	186,685	157,735	37,210	635,130	(724)	2,166	636,572
In-kind goods and services	-	222,072	-	-	222,072	53,183	-	275,255
Equipment purchase and rental	150,467	30,327	8,305	-	189,099	15,934	-	205,033
Office expense	20,893	58,718	54,049	678	134,338	7,687	1,806	143,831
Travel and training	43,289	37,133	21,432	-	101,854	4,575	33	106,462
Miscellaneous	490	143	-	-	633	10,424	-	11,057
	<u>\$ 6,108,944</u>	<u>\$ 5,077,525</u>	<u>\$ 3,935,793</u>	<u>\$ 103,916</u>	<u>\$ 15,226,178</u>	<u>\$ 2,953,943</u>	<u>\$ 254,789</u>	<u>\$ 18,434,910</u>

See accompanying notes to financial statements.

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Statements of Functional Expenses**

Year Ended June 30, 2021

	Program Services				Supporting Services		
	Community Engagement	Youth, Adult, and Family Wellness	Child and Youth Development	Total Program Services	Management and General	Fundraising and Development	Total
Salaries and fringe benefits	\$ 3,519,624	\$ 3,233,068	\$ 3,540,848	\$ 10,293,540	\$ 1,974,218	\$ 150,420	\$ 12,418,178
Contract services	417,997	570,160	58,766	1,046,923	175,692	436	1,223,051
Facilities	403,054	421,628	183,113	1,007,795	70,845	44,305	1,122,945
Client support	221,730	232,897	175,526	630,153	-	91,804	721,957
Operations	48,495	35,782	135,799	220,076	447,105	5,786	672,967
In-kind goods and services	165,483	24,018	-	189,501	29,836	5,365	224,702
Equipment purchase and rental	46,778	81,112	43,064	170,954	6,046	-	177,000
Miscellaneous	203	84	1,470	1,757	108,211	11	109,979
Office expense	43,820	46,326	7,222	97,368	7,588	2,616	107,572
Travel and training	28,440	42,493	14,526	85,459	13,058	-	98,517
	<u>\$ 4,895,624</u>	<u>\$ 4,687,568</u>	<u>\$ 4,160,334</u>	<u>\$ 13,743,526</u>	<u>\$ 2,832,599</u>	<u>\$ 300,743</u>	<u>\$ 16,876,868</u>

See accompanying notes to financial statements.



**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Statements of Cash Flows**

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ (346,895)	\$ 1,512,376
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	216,162	188,506
Net realized and unrealized loss (gains)	491,835	(600,016)
Paycheck Protection Program loan forgiveness	-	(1,994,300)
Changes in operating assets and liabilities:		
Accounts receivable	22,217	(77,977)
Grants receivable	(223,391)	(201,731)
Prepaid expenses and other current assets	(121,530)	108,949
Accounts payable	(24,885)	(276,350)
Accrued expenses	8,420	223,551
Fee for service liability	(38,320)	86,982
Deferred revenue	440,085	(267,345)
Deferred lease incentives	(48,899)	(48,898)
Net Cash Provided (Used) by Operating Activities	374,799	(1,346,253)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(6,117)	(321,273)
Proceeds from sale of investments	250,808	434,220
Purchases of investments	(335,088)	(1,483,492)
Net Cash Used by Investing Activities	(90,397)	(1,370,545)
Cash Flows from Financing Activities:		
Payments on debt obligations	(108,334)	(8,833)
Proceeds from debt issued	-	300,000
Net Cash (Used) Provided by Financing Activities	(108,334)	291,167
Net Increase (Decrease) in Cash and Cash Equivalents	176,068	(2,425,631)
Cash and Cash Equivalents, beginning	2,367,880	4,793,511
Cash and Cash Equivalents, ending	\$ 2,543,948	\$ 2,367,880

## SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

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#### 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 Resource and Referral. 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

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. During the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

Management has analyzed the provisions of the FASB's ASU Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* and has included the necessary disclosures in Note 10.

##### Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (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 years ended June 30, 2022 and 2021.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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, 2022 and 2021 because management believes that all amounts are collectible.

## **SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

### **Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

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#### **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 statements 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**

Years Ended June 30, 2022 and 2021

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#### **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, 2022 and 2021 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 following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021:

*Mutual Funds and Exchange Traded Funds:* Valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The funds are deemed to be actively traded.

*Money Market Accounts:* Valued at closing balance, plus accrued interest.

The carrying value of cash and cash equivalents, receivables, payables, and notes payable approximates fair value as of June 30, 2022 and 2021, due to the relative short maturities of these instruments.

## SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

### Notes to Financial Statements

Years Ended June 30, 2022 and 2021

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

##### Future Accounting Standard

The FASB has issued one substantial ASU which will become effective in a future year.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change in US GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

##### Subsequent Events

The Organization has evaluated subsequent events through March 29, 2023, 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.

	2022	2021
Cash	\$ 2,543,948	\$ 2,367,880
Accounts receivable	55,760	77,977
Investments	3,888,957	4,296,512
Grants receivables	2,448,729	2,225,338
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,937,394	\$ 8,967,707

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 8. As of June 30, 2022, \$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

Years Ended June 30, 2022 and 2021

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#### Note 3 – Concentrations of Credit Risk, continued

##### Revenues

During the years ended June 30, 2022 and 2021, the Organization received funding of \$14,173,156 (78%) and \$11,799,081 (64%) from four and three sources, respectively. For the years ended June 30, 2022 and 2021, the Organization had grants receivable in the amount of \$1,926,227 (79%) and \$1,542,801 (69%) from three and two sources, respectively.

#### Note 4 – Grants Receivable

Grants receivable consist of the following at June 30:

	2022	2021
County of San Diego	\$ 781,518	\$ 650,613
First 5 San Diego	636,947	267,303
San Diego Unified School District	507,762	892,188
Other	212,547	144,292
U.S. Department of Health and Human Services	187,646	161,978
United States Department of Justice	61,264	22,166
California Department of Public Health	61,045	86,798
	<u>\$ 2,448,729</u>	<u>\$ 2,225,338</u>

#### Note 5 – Investments

The following table presents the fair value measurement hierarchy of investments at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Large cap - domestic	\$ 331,639	\$ -	\$ -	\$ 331,639
Small cap - domestic	179,982	-	-	179,982
Fixed income - domestic	1,571,641	-	-	1,571,641
Exchange Traded Funds:				
Large cap - domestic	1,084,592	-	-	1,084,592
Large cap - international	578,436	-	-	578,436
Small cap - international	105,784	-	-	105,784
Money Market	36,883	-	-	36,883
	<u>\$ 3,888,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,888,957</u>

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

**Note 5 – Investments, continued**

The following table presents the fair value measurement hierarchy of investments at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Large cap - domestic	\$ 244,615	\$ -	\$ -	\$ 244,615
Small cap - domestic	166,763	-	-	166,763
Fixed income - domestic	1,796,472	-	-	1,796,472
Exchange Traded Funds:				
Large cap - domestic	1,350,170	-	-	1,350,170
Large cap - international	715,943	-	-	715,943
Money Market	22,549	-	-	22,549
	<u>\$ 4,296,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,296,512</u>

**Note 6 – Property and Equipment**

Property and equipment consist of the following at June 30:

	2022	2021
Modular classroom buildings	\$ 366,672	\$ 360,555
Furniture and equipment	104,935	104,935
Leasehold improvements	1,225,594	1,225,594
	1,697,201	1,691,084
Less accumulated depreciation	<u>(966,884)</u>	<u>(750,722)</u>
	<u>\$ 730,317</u>	<u>\$ 940,362</u>

**Note 7 – Deferred Revenue**

Deferred revenue consists of the following at June 30:

	2022	2021
Education and Outreach	\$ 431,448	\$ 108,436
Community Support Services	358,936	365,815
Family Support Services	231,870	248,790
Program Expansion	154,000	-
Military Family Resource Center	110,563	62,385
Other Programs	84,293	145,599
	<u>\$ 1,371,110</u>	<u>\$ 931,025</u>

## **SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

### **Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

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#### **Note 8 – Line of Credit**

The Organization has a \$550,000 line of credit with Western Alliance Bank that matures on March 3, 2023 and bears a variable interest rate calculated by the financial institution, which was 4.50% at June 30, 2022 and 2021. There was no outstanding balance on the Western Alliance Bank line of credit as of June 30, 2022 and 2021.

#### **Note 9 – Notes Payable**

On April 20, 2020, the Organization received loan proceeds in the amount of \$1,994,300 under the Small Business Administration (SBA) Paycheck Protection Program (PPP). The Organization received forgiveness during the year ended June 30, 2021 for the full loan proceeds used to pay qualifying payroll and utility expenses. The forgiveness balance is reported as PPP loan forgiveness revenue on the statement of activities.

In October 2020, the Organization entered into an interest free loan agreement with a financial institution. Repayment of the \$300,000 loan is payable in monthly installments of \$8,333 beginning June 1, 2021 for twelve months and \$16,667 for the following twelve months and matures June 2023.

Principal payments of \$182,833 on the note payable at June 30, 2022 are due during the year ended June 30, 2023.

#### **Note 10 – Contributed Nonfinancial Assets**

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Volunteer Services	\$ 215,475	\$ 161,557
Rent	49,500	49,500
Legal	8,280	8,280
Event Services	<u>2,000</u>	<u>5,365</u>
	<u>\$ 275,255</u>	<u>\$ 224,702</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.



## **SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

### **Notes to Financial Statements**

Years Ended June 30, 2022 and 2021

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#### **Note 11 – Commitments**

The Organization leases certain facilities under agreements which expire at various dates to December 31, 2025. Other facilities, principally extended day 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 April 30, 2024.

Minimum future lease payments at June 30, 2022 are due as follows:

Year Ending June 30,	
2023	\$ 567,607
2024	372,687
2025	360,192
2026	184,137
Thereafter	-
	<u>\$ 1,484,623</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$987,275 and \$781,273, respectively.

#### **Note 12 – 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 \$183,179 and \$187,226 for the years ended June 30, 2022 and 2021, respectively, and are included in salaries and fringe benefits in the statements of functional expenses.

#### **Note 13 – 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.

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States of America (US) has caused business disruption through mandated and voluntary closing of businesses and shelter-in-place orders, including California, where the Organization is headquartered. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

#### **Note 14 – Reclassification**

Certain amounts in the June 30, 2021 financial statements have been reclassified to conform to current year classifications. The changes included combined previously reported expenses. There was no impact on previously reported net assets.

## 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon March 29, 2023.

### 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 29, 2023

**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, 2022. 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 29, 2023

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2022

Federal/Pass-Through Grantor and Program Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor Number	Expenditures
<b>477 Cluster</b>			
<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	559474	\$ 1,062,907
Total 477 Cluster			1,062,907
<b>CSBG Cluster</b>			
<u>U.S. Department of Health and Human Services</u>			
Pass-through Programs From County of San Diego:			
Community Services Block Grant	93.569	544428/547376	55,342
Total CSBG Cluster			55,342
<u>U.S. Department of Justice</u>			
Direct Programs:			
Community-Based Violence Prevention Program	16.123	2020-M0-M0-0010	167,384
Pass-through Programs From South Bay Community Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	551633	62,023
Total U.S. Department of Justice			229,407
<u>U.S. Department of Education</u>			
Pass-through Programs From South Bay Community Services:			
Promise Neighborhood	84.215N	U215N180049	103,877
Total U.S. Department of Education			103,877
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Healthy Marriage and Responsible Fatherhood	93.086	90ZJ008	845,509
Sober Truth on Preventing Underage Drinking Act	93.243	SP021975-01	295,560
Total Direct Programs			1,141,069
Pass-through Programs From County of San Diego:			
Injury Prevention and Control Research and State and Community Based	93.136		25,783
Drug Free Communities Support	93.276	INH28CE003088	144,400
Promoting Safe and Stable Families	93.556	551375	238,650
Block Grants for Prevention and Treatment of Substance Abuse	93.959	551547/551550	872,093
Total U.S. Department of Health and Human Services			2,421,995
Total expenditures of federal awards			\$ 3,873,528

## **SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

### **Notes to Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2022

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#### **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, 2022

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### **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 ☒ none identified

    Material weakness(es) identified? ☐ yes ☒ no

Noncompliance material to the financial statements noted? ☐ yes ☒ no

#### **Federal Awards**

Internal control over major programs:

    Significant deficiency(ies) identified? ☐ yes ☒ none identified

    Material weakness(es) identified? ☐ yes ☒ 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 ☒ no

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants
93.556	Promoting Safe and Stable 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? ☒ yes ☐ no

### **Section II – Financial Statement Findings**

None

### **Section III – Federal Award Findings and Questioned Costs**

None

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**

**Schedule of Prior Year Findings**

Year Ended June 30, 2022

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**Section IV – Schedule of Prior Year Findings and Questioned Costs**

None