

Social Advocates for Youth, San Diego, Inc.

Financial Statements and Supplemental Information

Years Ended June 30, 2019 and 2018



SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
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Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social Advocates for Youth, San Diego, Inc. as of June 30, 2019 and 2018, 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.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, Social Advocates for Youth, San Diego, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

Other Information

Our audits were 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 information 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 November 21, 2019, on our consideration of Social Advocates for Youth, San Diego, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Social Advocates for Youth, San Diego, Inc.'s internal control over financial reporting and compliance.

Aldrich CPAs + Advisors LLP

San Diego, California
November 21, 2019

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,970,417	\$ 2,208,622
Accounts receivable	93,177	90,555
Investments	2,608,356	2,165,667
Grants receivable	1,227,143	2,124,585
Prepaid expenses and other current assets	<u>411,899</u>	<u>422,568</u>
Total Current Assets	7,310,992	7,011,997
Property and Equipment, net of accumulated depreciation	<u>820,727</u>	<u>136,047</u>
Total Assets	<u>\$ 8,131,719</u>	<u>\$ 7,148,044</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 252,361	\$ 250,200
Accrued expenses	835,366	1,148,858
Advanced extended day fees	165,268	156,581
Deferred revenue	756,646	533,681
Deferred lease incentives	<u>317,841</u>	<u>-</u>
Total Current Liabilities	2,327,482	2,089,320
Net Assets Without Donor Restrictions	<u>5,804,237</u>	<u>5,058,724</u>
Total Liabilities and Net Assets	<u>\$ 8,131,719</u>	<u>\$ 7,148,044</u>

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

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue and Support Without Donor Restriction:		
Cost reimbursement contracts	\$ 8,762,906	\$ 8,416,261
User/client fees	4,781,972	4,959,119
Performance based contracts	3,580,529	3,863,208
In-kind contributions	862,478	941,756
Grant revenue	774,798	615,838
Contributions	228,275	220,432
Investment income	109,752	109,279
Other revenue	<u>68,517</u>	<u>13,403</u>
Total Revenue and Support Without Donor Restriction	19,169,227	19,139,296
Expenses:		
Program Services:		
Child and youth development	5,917,050	5,619,205
Youth, adult, and family wellness	5,247,898	5,610,273
Community engagement	3,685,760	3,523,056
Supporting Services:		
Management and general	2,866,863	2,996,805
Fundraising and development	605,146	535,608
Volunteer engagement	<u>100,997</u>	<u>95,480</u>
Total Expenses	<u>18,423,714</u>	<u>18,380,427</u>
Increase in Net Assets	745,513	758,869
Net Assets, beginning	<u>5,058,724</u>	<u>4,299,855</u>
Net Assets, ending	<u>\$ 5,804,237</u>	<u>\$ 5,058,724</u>

See accompanying notes to financial statements.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services			Supporting Services			Total
	Child and Youth Development	Youth, Adult, and Family Wellness	Community Engagement	Management and General	Fundraising and Development	Volunteer Engagement	
Salaries and fringe benefits	\$ 4,680,800	\$ 3,885,435	\$ 2,527,755	\$ 2,113,133	\$ 342,444	\$ 74,704	\$ 13,624,271
Facilities cost	342,167	348,043	206,763	79,334	35,725	3,535	1,015,567
Contract services	277,266	286,451	119,386	182,481	40,777	10,086	916,447
In-kind goods and services	86,612	139,585	542,324	27,054	59,636	7,267	862,478
Program supplies	205,703	63,115	67,577	278	11,383	106	348,162
Wrap around services	450	218,037	23,843	(1,431)	56,364	-	297,263
Travel	62,047	100,803	44,109	8,562	472	193	216,186
Communication	49,059	81,358	47,297	16,735	6,019	517	200,985
Insurance	99,143	19,343	13,192	34,356	1,667	675	168,376
Office supplies	15,684	49,789	21,223	33,105	2,392	398	122,591
Miscellaneous	27,497	14	350	64,981	24,695	1,714	119,251
Interest and bank fees	-	-	-	108,054	-	-	108,054
Conferences, dues and subscription	7,446	895	9,777	65,276	3,902	1,084	88,380
Copier and printing	15,400	20,454	29,893	16,529	5,786	101	88,163
Equipment purchased	7,619	15,031	16,931	32,974	471	245	73,271
Depreciation	17,901	-	-	79,573	-	-	97,474
Training	18,526	17,831	14,193	4,781	494	372	56,197
Advertising	3,730	1,714	1,147	1,088	12,919	-	20,598
	<u>\$ 5,917,050</u>	<u>\$ 5,247,898</u>	<u>\$ 3,685,760</u>	<u>\$ 2,866,863</u>	<u>\$ 605,146</u>	<u>\$ 100,997</u>	<u>\$ 18,423,714</u>

See accompanying notes to financial statements.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services			Supporting Services			Total
	Child and Youth Development	Youth, Adult, and Family Wellness	Community Engagement	Management and General	Fundraising and Development	Volunteer Engagement	
Salaries and fringe benefits	\$ 4,443,717	\$ 4,255,466	\$ 2,348,264	\$ 2,355,573	\$ 306,183	\$ 78,153	\$ 13,787,356
Facilities cost	333,388	373,066	182,674	72,421	33,587	3,667	998,803
In-kind goods and services	79,293	174,029	597,435	22,142	68,857	-	941,756
Contract services	282,001	291,914	109,533	201,618	30,481	10,419	925,966
Program supplies	177,056	29,096	42,387	408	25,821	112	274,880
Wrap around services	269	172,832	37,582	35	33,270	-	243,988
Travel	59,905	97,856	36,369	15,974	1,063	178	211,345
Communication	39,720	85,092	39,710	20,447	5,913	573	191,455
Insurance	78,281	18,720	10,115	33,232	1,279	712	142,339
Office supplies	14,681	58,808	26,669	12,516	2,460	226	115,360
Miscellaneous	25,650	969	24,062	50,320	2,726	176	103,903
Interest and bank fees	-	-	-	99,790	590	-	100,380
Equipment purchased	31,373	29,852	17,694	8,480	7,403	197	94,999
Conferences, dues and subscription	9,285	880	11,849	66,095	3,442	355	91,906
Copier and printing	15,582	14,676	18,057	7,691	5,913	622	62,541
Depreciation	17,616	-	-	27,812	-	-	45,428
Training	9,208	5,507	20,248	2,181	-	-	37,144
Advertising	2,180	1,510	408	70	6,620	90	10,878
	<u>\$ 5,619,205</u>	<u>\$ 5,610,273</u>	<u>\$ 3,523,056</u>	<u>\$ 2,996,805</u>	<u>\$ 535,608</u>	<u>\$ 95,480</u>	<u>\$ 18,380,427</u>

See accompanying notes to financial statements.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 745,513	\$ 758,869
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	97,474	45,428
Net realized and unrealized gains	(35,170)	(42,292)
Changes in operating assets and liabilities:		
Accounts receivable	(2,622)	22,310
Grants receivable	897,442	(561,845)
Prepaid expenses and other current assets	10,669	(10,177)
Accounts payable	2,161	(54,062)
Accrued expenses	(313,492)	168,751
Advanced extended day fees	8,687	(60,354)
Deferred revenue	222,965	193,587
Deferred lease incentives	317,841	-
Net Cash Provided by Operating Activities	<u>1,951,468</u>	<u>460,215</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(782,154)	(17,086)
Proceeds from sale of investments	688,860	1,147,683
Purchases of investments	<u>(1,096,379)</u>	<u>(1,449,170)</u>
Net Cash Used by Investing Activities	<u>(1,189,673)</u>	<u>(318,573)</u>
Net Increase in Cash and Cash Equivalents	761,795	141,642
Cash and Cash Equivalents, beginning	<u>2,208,622</u>	<u>2,066,980</u>
Cash and Cash Equivalents, ending	<u>\$ 2,970,417</u>	<u>\$ 2,208,622</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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 to partner with youth, families, adults and communities to reach their full potential is achieved through comprehensive and integrated programming in the areas of Child and Youth Development; Youth, Adult and Family Wellness and Community Engagement. 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 Pronouncement

During the year ended June 30, 2019, the Organization adopted ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions until the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets with donor restrictions, liquidity, and expenses by both their natural and functional classification.

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, where by 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, 2019 and 2018.

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, 2019 and 2018 because management believes that all amounts are collectible.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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

Investments

Investments with readily determinable fair values 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

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 and other revenues which are considered contracts for services are not recorded as restricted contributions. Prepaid grants are recorded as deferred revenue.

Contributed Materials and Services

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 expense in the period in which the services are performed.

The Organization 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.

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, 2019 and 2018 and therefore no amounts have been accrued.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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

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.

As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

The carrying value of cash and cash equivalents, receivables, and payables approximates fair value as of June 30, 2019 and 2018, due to the relative short maturities of these instruments.

Future Accounting Standards

The Financial Accounting Standards Board (FASB) has issued three substantial ASUs which will become effective in future years.

The amendments in ASU 2014-09 *Revenue from Contracts with Customers* and subsequent updates require that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is to be applied on a full retrospective basis or modified retrospective basis. The Organization is in the process of assessing how this new ASU and subsequent updates will affect the Organization's reporting of revenues. This assessment includes determining the effect of the new standard on the Organization's financial statements, accounting systems, business processes, and internal controls. This update is effective for fiscal years beginning after December 15, 2018. The Organization is evaluating the effect that the provisions of ASU 2014-09 will have on its financial statement and related disclosures.

In June 2018, ASU 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* was issued to provide guidance on the accounting and reporting of grants and contributions. This guidance will assist nonprofit organizations in evaluating if a transaction is an exchange transaction or a contribution. Clarification was also added to determine if a contribution is conditional or unconditional and how each of these should be recorded. This update is effective for transactions in which the entity serves as the resource recipient for fiscal years beginning after December 15, 2018. The Organization is evaluating the effect that the provisions of ASU 2018-08 will have on its financial statements and related disclosures.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

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

Future Accounting Standards, continued

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, 2020. 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 November 21, 2019, 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.

	<u>2019</u>	<u>2018</u>
Cash	\$ 2,970,417	\$ 2,208,622
Accounts receivable	93,177	90,555
Investments	2,608,356	2,165,667
Grants receivables	<u>1,227,143</u>	<u>2,124,585</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,899,093</u>	<u>\$ 6,589,429</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 8. As of June 30, 2019, \$550,000 remain 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. The Organization has uninsured balances in a bank deposit account in the amount of \$2,433,488 and \$1,799,012 for the years ended June 30, 2019 and 2018, respectively.

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

Years Ended June 30, 2019 and 2018

Note 3 – Concentrations of Credit Risk, continuedRevenues

During the years ended June 30, 2019 and 2018, the Organization received funding of \$14,797,530 (77%) and \$15,287,030 (80%) from three sources, respectively. For the years ended June 30, 2019 and 2018, the Organization had grants receivable in the amount of \$743,933 (61%) and \$1,575,241 (74%) from one and two sources, respectively.

Note 4 – Grants Receivable

Grants receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
County of San Diego	\$ 743,993	\$ 1,054,812
San Diego Unified School District	206,463	520,429
Other	191,118	185,099
California Department of Public Health	35,737	48,216
First 5 San Diego	28,512	309,756
United States Department of Justice	19,112	3,115
U.S. Department of Health and Human Services	2,208	3,158
	<u>\$ 1,227,143</u>	<u>\$ 2,124,585</u>

Note 5 – Investments

The following table presents the fair value measurement hierarchy of investments at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Mutual funds:					
Large cap - domestic	\$ 362,372	\$ -	\$ -	\$ -	362,372
Large cap - international	313,945	-	-	-	313,945
Fixed income - domestic	1,080,258	-	-	-	1,080,258
Equity securities:					
Large cap - domestic	511,677	-	-	-	511,677
Large cap - international	324,822	-	-	-	324,822
Money Market	15,282	-	-	-	15,282
	<u>\$ 2,608,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,608,356</u>

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

Years Ended June 30, 2019 and 2018

Note 5 – Investments, continued

The following table presents the fair value measurement hierarchy of investments at June 30, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Mutual funds:					
Large cap - domestic	\$ 305,741	\$ -	\$ -	\$ -	305,741
Large cap - international	232,720	-	-	-	232,720
Fixed income - domestic	900,082	-	-	-	900,082
Equity securities:					
Large cap - domestic	425,391	-	-	-	425,391
Large cap - international	291,057	-	-	-	291,057
Money Market	10,676				10,676
	<u>\$ 2,165,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,165,667</u>

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Modular classroom buildings	\$ 360,555	\$ 360,555
Furniture and equipment	210,172	193,228
Leasehold improvements	777,362	15,648
	1,348,089	569,431
Less accumulated depreciation	(527,362)	(433,384)
	<u>\$ 820,727</u>	<u>\$ 136,047</u>

Note 7 – Deferred Revenue

Deferred revenue consists of the following at June 30:

	2019	2018
Education and Outreach	\$ 272,669	\$ 169,059
Other Programs	175,774	9,416
Family Support Services	170,733	76,783
Military Family Resource Center	137,470	220,822
Crawford Community Connections	-	57,601
	<u>\$ 756,646</u>	<u>\$ 533,681</u>

Note 8 – Line of Credit

The Organization has a line of credit with Torrey Pines Bank that matures on December 21, 2019 and bears a variable interest rate calculated by the financial institution, which was 6.50% and 6.25% at June 30, 2019 and 2018, respectively. There was no outstanding balance on the Torrey Pines line of credit as of June 30, 2019 and 2018.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 9 – 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, 2023.

Minimum future lease payments at June 30, 2019 are due as follows:

Year Ending	
<u>June 30,</u>	
2020	\$ 722,370
2021	730,158
2022	748,906
2023	567,607
2024	349,707
Thereafter	<u>544,329</u>
	<u>\$ 3,663,077</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$933,629 and \$966,218, respectively.

Note 10 – 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 \$177,284 and \$178,465 for the years ended June 30, 2019 and 2018, respectively, and are included in salaries and fringe benefits in the statements of functional expenses.

Note 11 – 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.

Note 12 – Reclassification

Certain items in the 2018 financial statements have been reclassified to conform to current year classifications, specifically the nature and functional classifications in the statement of activities and functional expenses. Such reclassifications have no effect on previously reported changes in net assets.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' 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 statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

Aldrich CPAs + Advisors LLP

San Diego, California
November 21, 2019

**INDEPENDENT AUDITORS' 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

We have audited Social Advocates for Youth, San Diego, Inc.'s compliance with the types of compliance requirements described 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Social Advocates for Youth, San Diego, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Social Advocates for Youth, San Diego, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Social Advocates for Youth, San Diego, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Social Advocates for Youth, San Diego, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

Report on Internal Control over Compliance

Management of Social Advocates for Youth, San Diego, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Social Advocates for Youth, San Diego, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Social Advocates for Youth, San Diego, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
November 21, 2019

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures
<u>U.S. Department of Justice</u>			
Pass-through Programs			
Pass-through Programs from South Bay Community Services			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	551633	136,909
Total U.S. Department of Justice			136,909
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Sober Truth on Preventing Underage Drinking Act	93.243	SP021975-01	36,955
Total Direct Programs			36,955
Pass-through Programs From County of San Diego:			
Community Services Block Grant Cluster:			
Community Services Block Grant	93.569	544428/547376	118,886
Total Community Services Block Grant Cluster			118,886
Promoting Safe and Stable Families	93.556	551375	197,886
Temporary Assistance for Needy Families	93.558	559474	22,847
Community-Based Child Abuse Prevention	93.590	551375	31,552
Stephanie Tubbs Jones Child Welfare Services Program	93.645	551375	175,591
Foster Care Title IV-E	93.658	553322	401,436
Block Grants for Prevention and Treatment of Substance Abuse	93.959	551547/551550	901,892
Total U.S. Department of Health and Human Services			1,887,045
Total expenditures of federal awards			\$ 2,023,954

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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).

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, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ 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 auditors’ 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse
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? 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, 2019

Section IV – Schedule of Prior Year Findings

None