

Social Advocates for Youth, San Diego, Inc.

Financial Statements and Supplemental Information

Years Ended June 30, 2021 and 2020



SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
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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, 2021 and 2020, 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, 2021 and 2020, 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.

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 February 16, 2022, 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
February 17, 2022

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,367,880	\$ 4,793,511
Accounts receivable	77,977	-
Investments	4,296,512	2,647,224
Grants receivable	2,225,338	2,023,607
Prepaid expenses and other current assets	328,883	437,832
Total Current Assets	9,296,590	9,902,174
Property and Equipment, net of accumulated depreciation	940,362	807,595
Total Assets	<u>\$ 10,236,952</u>	<u>\$ 10,709,769</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 331,795	\$ 608,145
Accrued expenses	1,042,037	818,486
Fee for service liability	145,882	58,900
Deferred revenue	931,025	1,198,370
Current portion of deferred lease incentives	48,899	48,899
Current portion of note payable	108,333	-
Total Current Liabilities	2,607,971	2,732,800
Deferred Lease Incentives, net of current portion	171,145	220,043
Note Payable, net of current portion	182,834	1,994,300
Total Non-Current Liabilities	353,979	2,214,343
Total Liabilities	2,961,950	4,947,143
Net Assets Without Donor Restrictions	7,275,002	5,762,626
Total Liabilities and Net Assets	<u>\$ 10,236,952</u>	<u>\$ 10,709,769</u>

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

Years Ended June 30, 2021 and 2020

	2021	2020
Revenue and Support Without Donor Restriction:		
Cost reimbursement grants	\$ 10,556,798	\$ 9,343,902
Performance based grants	3,086,979	3,802,834
Paycheck Protection Program loan forgiveness	1,994,300	-
Grant revenue	1,377,986	952,731
Investment income	668,867	58,247
Fee for service revenue	257,286	3,600,746
In-kind contributions	224,702	402,934
Other revenue	137,582	374,359
Contributions	84,744	265,770
Total Revenue and Support Without Donor Restriction	18,389,244	18,801,523
Expenses:		
Program Services:		
Community engagement	4,895,624	3,977,112
Youth, adult, and family wellness	4,687,568	4,875,741
Child and youth development	4,160,334	6,123,676
Supporting Services:		
Management and general	2,832,599	3,299,033
Fundraising and development	300,743	567,572
Total Expenses	16,876,868	18,843,134
Change in Net Assets	1,512,376	(41,611)
Net Assets Without Donor Restrictions, beginning	5,762,626	5,804,237
Net Assets Without Donor Restrictions, ending	<u>\$ 7,275,002</u>	<u>\$ 5,762,626</u>

See accompanying notes to financial statements.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Statement 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 cost	325,887	329,738	113,482	769,107	54,626	38,817	862,550
Wrap around services	196,273	204,653	6,463	407,389	-	91,748	499,137
Miscellaneous	203	429	18,641	19,273	246,738	534	266,545
Communication	77,167	91,890	69,633	238,690	16,219	5,486	260,395
In-kind goods and services	165,483	24,018	-	189,501	29,836	5,365	224,702
Program supplies	25,457	28,243	166,097	219,797	-	58	219,855
Depreciation	-	-	15,798	15,798	172,704	4	188,506
Insurance	19,895	28,882	95,109	143,886	33,888	2,366	180,140
Equipment purchased	46,778	81,112	43,064	170,954	6,046	-	177,000
Conferences, dues and subscription	8,922	4,589	8,968	22,479	91,279	1,077	114,835
Office expense	26,908	36,798	5,003	68,709	7,230	2,577	78,516
Training	18,056	26,321	1,106	45,483	5,420	-	50,903
Travel	10,384	16,173	13,419	39,976	7,638	-	47,614
Copier and printing	16,912	9,528	2,219	28,659	359	38	29,056
Advertising	19,678	1,966	1,718	23,362	26	1,817	25,205
Interest and bank fees	-	-	-	-	10,680	-	10,680
	<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.
Statement of Functional Expenses
Year Ended June 30, 2020

	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	\$ 3,018,749	\$ 3,515,982	\$ 4,935,782	\$ 11,470,513	\$ 2,429,981	\$ 321,487	\$ 14,221,981
Contract services	168,668	475,811	306,411	950,890	216,761	81,741	1,249,392
Facilities cost	249,926	336,679	322,119	908,724	104,645	48,931	1,062,300
In-kind goods and services	221,822	84,014	39,931	345,767	25,411	31,756	402,934
Program supplies	42,043	20,297	201,835	264,175	196	3,051	267,422
Wrap around services	47,564	168,078	14,324	229,966	-	20,284	250,250
Communication	61,088	67,228	54,780	183,096	17,257	6,047	206,400
Insurance	15,205	19,006	109,795	144,006	33,815	2,508	180,329
Travel	41,875	69,235	41,355	152,465	5,221	665	158,351
Depreciation	-	-	15,798	15,798	137,747	-	153,545
Conferences, dues and subscription	8,222	680	10,096	18,998	98,217	8,221	125,436
Interest and bank fees	-	-	-	-	122,800	490	123,290
Miscellaneous	1,517	3,410	22,294	27,221	56,353	33,027	116,601
Equipment purchased	24,643	49,921	18,320	92,884	18,650	1,212	112,746
Office Supplies	23,512	35,848	10,937	70,297	16,287	2,695	89,279
Copier and Printing	30,080	17,129	15,782	62,991	12,002	1,431	76,424
Training	15,581	9,887	39	25,507	3,638	1,648	30,793
Advertising	6,617	2,536	4,078	13,231	52	2,378	15,661
	<u>\$ 3,977,112</u>	<u>\$ 4,875,741</u>	<u>\$ 6,123,676</u>	<u>\$ 14,976,529</u>	<u>\$ 3,299,033</u>	<u>\$ 567,572</u>	<u>\$ 18,843,134</u>

See accompanying notes to financial statements.

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

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,512,376	\$ (41,611)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	188,506	153,545
Net realized and unrealized loss (gains)	(600,016)	18,643
Paycheck Protection Program loan forgiveness	(1,994,300)	-
Changes in operating assets and liabilities:		
Accounts receivable	(77,977)	93,177
Grants receivable	(201,731)	(796,464)
Prepaid expenses and other current assets	108,949	(25,933)
Accounts payable	(276,350)	355,784
Accrued expenses	223,551	(16,880)
Advanced extended day fees	86,982	(106,368)
Deferred revenue	(267,345)	441,724
Deferred lease incentives	(48,898)	(48,899)
Net Cash Provided (Used) by Operating Activities	(1,346,253)	26,718
Cash Flows from Investing Activities:		
Purchases of property and equipment	(321,273)	(140,413)
Proceeds from sale of investments	434,220	1,400,904
Purchases of investments	(1,483,492)	(1,458,415)
Net Cash Used by Investing Activities	(1,370,545)	(197,924)
Cash Flows Provided by Financing Activities:		
Payments on debt obligations	(8,833)	-
Proceeds from debt issued	300,000	1,994,300
Net Cash Provided by Financing Activities	291,167	1,994,300
Net Increase (Decrease) in Cash and Cash Equivalents	(2,425,631)	1,823,094
Cash and Cash Equivalents, beginning	4,793,511	2,970,417
Cash and Cash Equivalents, ending	\$ 2,367,880	\$ 4,793,511

See accompanying notes to financial statements.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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 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.

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, 2021 and 2020.

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, 2021 and 2020 because management believes that all amounts are collectible.

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.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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

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 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 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.

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.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.

Notes to Financial Statements

Years Ended June 30, 2021 and 2020

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

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, 2021 and 2020 and therefore no amounts have been accrued.

Fair Value Measurements

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

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

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

The carrying value of cash and cash equivalents, receivables, payables, and notes payable approximates fair value as of June 30, 2021 and 2020, due to the relative short maturities of these instruments.

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 February 17, 2022, which is the date the financial statements were available to be issued.

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**Notes to Financial Statements**Years Ended June 30, 2021 and 2020

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.

	2021	2020
Cash	\$ 2,367,880	\$ 4,793,511
Accounts receivable	77,977	-
Investments	4,296,512	2,647,224
Grants receivables	2,225,338	2,023,607
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>8,967,707</u>	\$ <u>9,464,342</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, 2021, \$550,000 remain available on the Organization's line of credit.

Note 3 – Concentrations of Credit RiskCash 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.

Revenues

During the years ended June 30, 2021 and 2020, the Organization received funding of \$11,799,081 (64%) and \$14,707,779 (78%) from three sources, respectively. For the years ended June 30, 2021 and 2020, the Organization had grants receivable in the amount of \$1,542,801 (69%) and \$1,595,377 (79%) from two sources.

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

Years Ended June 30, 2021 and 2020

Note 4 – Grants Receivable

Grants receivable consist of the following at June 30:

	2021	2020
San Diego Unified School District	\$ 892,188	\$ 161,405
County of San Diego	650,613	1,172,618
First 5 San Diego	267,303	422,759
U.S. Department of Health and Human Services	161,978	4,366
Other	144,292	213,110
California Department of Public Health	86,798	41,656
United States Department of Justice	22,166	7,693
	<u>\$ 2,225,338</u>	<u>\$ 2,023,607</u>

Note 5 – Investments

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
Equity Securities:				
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>

The following table presents the fair value measurement hierarchy of investments at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Large cap - domestic	\$ 277,528	\$ -	\$ -	\$ 277,528
Fixed income - domestic	1,056,678	-	-	1,056,678
Equity Securities:				
Large cap - domestic	835,094	-	-	835,094
Large cap - international	455,737	-	-	455,737
Money Market	22,187	-	-	22,187
	<u>\$ 2,647,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,647,224</u>

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

Years Ended June 30, 2021 and 2020

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Modular classroom buildings	\$ 360,555	\$ 360,555
Furniture and equipment	104,935	166,213
Leasehold improvements	<u>1,225,594</u>	<u>917,774</u>
	1,691,084	1,444,542
Less accumulated depreciation	<u>(750,722)</u>	<u>(636,947)</u>
	<u>\$ 940,362</u>	<u>\$ 807,595</u>

Note 7 – Deferred Revenue

Deferred revenue consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Community Support Services	\$ 365,815	\$ 341,734
Family Support Services	248,790	227,729
Other Programs	145,599	140,711
Education and Outreach	108,436	429,253
Military Family Resource Center	<u>62,385</u>	<u>58,943</u>
	<u>\$ 931,025</u>	<u>\$ 1,198,370</u>

Note 8 – Line of Credit

The Organization has a \$550,000 line of credit with Torrey Pines Bank that matures on January 3, 2022 and bears a variable interest rate calculated by the financial institution, which was 4.50% at June 30, 2021 and 2020. There was no outstanding balance on the Torrey Pines Bank line of credit as of June 30, 2021 and 2020.

Note 9 – Note Payable

On April 20, 2020, the Organization received loan proceeds in the amount of \$1,944,300 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, matures June 2023.

Principal payments on note payable at June 30, 2021 are due as follows:

<u>Year Ending June 30,</u>	
2022	\$ 108,333
2023	<u>182,834</u>
	<u>\$ 291,167</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**Notes to Financial Statements**Years Ended June 30, 2021 and 2020

Note 10 – 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, 2021 are due as follows:

Year Ending	
<u>June 30,</u>	
2022	\$ 759,642
2023	567,607
2024	372,687
2025	360,192
2026	184,137
Thereafter	<u>-</u>
	<u>\$ 2,244,265</u>

Rent expense for the years ended June 30, 2021 and 2020 was \$781,273 and \$966,691, respectively.

Note 11 – Retirement Plan

The Organization has adopted a tax shelter annuity plan covering all eligible employees. The plan provides that the Organization match employee contributions up to 4% of the participant's compensation. The Organization's contributions totaled \$187,226 and \$179,589 for the years ended June 30, 2021 and 2020, respectively, and are included in salaries and fringe benefits in the statements of functional expenses.

Note 12 – Contingencies

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

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. 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.

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, 2021, 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 February 17, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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
February 17, 2022

**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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2021.

**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
February 17, 2022

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal/Pass-Through Grantor and Program Title	Federal Assistance Listing Number	Agency or Pass-Through Grantor Number	Expenditures
477 Cluster			
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from the County of San Diego:			
Temporary Assistance for Needy Families	93.558	559474	\$ 862,561
Total 477 Cluster			862,561
CSBG Cluster			
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from the County of San Diego:			
Community Services Block Grant	93.569	544428/547376	183,150
Total CSBG Cluster			183,150
Medicaid Cluster			
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from the County of San Diego:			
Medical Assistance Program	93.778	555937	129,037
Total Medicaid Cluster			129,037
<u>U.S. Department of the Treasury</u>			
Pass-through programs from the County of San Diego:			
COVID-19: Coronavirus Relief Fund	21.019	551375/551547/551550	267,767
Total U.S. Department of the Treasury			267,767
<u>U.S. Department of Justice</u>			
Direct Programs:			
Community-Based Violence Prevention Program	16.123	2020-M0-M0-0010	14,281
Pass-through Programs from South Bay Community Services			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	551633	88,847
Total U.S. Department of Justice			103,128
<u>U.S. Department of Education</u>			
Pass-through Programs from South Bay Community Services			
Promise Neighborhood	84.215N	U215N180049	122,226
Total U.S. Department of Education			122,226

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal/Pass-Through Grantor and Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-Through Grantor Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Healthy Marriage and Responsible Fatherhood	93.086	90ZJ008	510,187
Sober Truth on Preventing Underage Drinking Act	93.243	SP021975-01	<u>227,650</u>
Total Direct Programs			737,837
Pass-through Programs From County of San Diego:			
Drug Free Communities Support	93.276	INH28CE003088	68,002
Promoting Safe and Stable Families	93.556	551375	216,962
Stephanie Tubbs Jones Child Welfare Services Program	93.645	551375	31,335
Block Grants for Prevention and Treatment of Substance Abuse	93.959	551547/551550	<u>886,318</u>
Total U.S. Department of Health and Human Services			<u>1,940,454</u>
Total expenditures of federal awards			<u>\$ 3,608,323</u>

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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, 2021

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' 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 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 ☒ no

Identification of major programs:

Federal Assistance Listing

Name of Federal Program or Cluster

21.019	Coronavirus Relief Fund
93.558	Temporary Assistance for Needy Families
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

None

SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.
Schedule of Prior Year Findings
Year Ended June 30, 2021

Section IV – Schedule of Prior Year Findings

None