

# Social Advocates for Youth, San Diego, Inc.

Financial Statements and Supplemental Information

Years Ended June 30, 2018 and 2017



**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 November 13, 2018, 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 13, 2018

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

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,208,622	\$ 2,066,980
Accounts receivable	90,555	112,865
Investments	2,165,667	1,821,888
Grants receivable	2,124,585	1,562,740
Prepaid expenses and other current assets	<u>422,568</u>	<u>412,391</u>
Total Current Assets	7,011,997	5,976,864
Property and Equipment, net of accumulated depreciation	<u>136,047</u>	<u>164,389</u>
Total Assets	<u>\$ 7,148,044</u>	<u>\$ 6,141,253</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 250,200	\$ 304,262
Accrued expenses	1,148,858	980,107
Advanced extended day fees	156,581	216,935
Deferred revenue	<u>533,681</u>	<u>340,094</u>
Total Current Liabilities	2,089,320	1,841,398
Net Assets - Unrestricted	<u>5,058,724</u>	<u>4,299,855</u>
Total Liabilities and Net Assets	<u>\$ 7,148,044</u>	<u>\$ 6,141,253</u>

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Statements of Activities**  
Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted Revenue and Support:		
Cost reimbursement contracts	\$ 8,416,261	\$ 9,025,708
Use/client fees	4,959,119	5,010,054
Performance based contracts	3,863,208	3,661,885
In-kind contributions	941,756	666,769
Grant revenue	615,838	832,941
Contributions	220,432	187,961
Investment income	109,279	187,215
Other revenue	13,403	47,425
Total Unrestricted Revenue and Support	19,139,296	19,619,958
Expenses:		
Program Services:		
Child and youth development	5,619,205	6,155,996
Youth, adult, and family wellness	5,610,273	5,908,167
Community engagement	3,523,056	3,281,692
Supporting Services:		
Management and general	3,092,285	2,932,831
Fundraising and development	535,608	550,631
Total Expenses	18,380,427	18,829,317
Increase in Net Assets	758,869	790,641
Net Assets, beginning	4,299,855	3,509,214
Net Assets, ending	\$ 5,058,724	\$ 4,299,855

**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	
Salaries and fringe benefits	\$ 4,443,717	\$ 4,255,466	\$ 2,348,264	\$ 2,433,726	\$ 306,183	\$ 13,787,356
Facilities cost	333,388	373,066	182,674	76,088	33,587	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	212,037	30,481	925,966
Program supplies	177,056	29,096	42,387	520	25,821	274,880
Wrap around services	269	172,832	37,582	35	33,270	243,988
Travel	59,905	97,856	36,369	16,152	1,063	211,345
Communication	39,720	85,092	39,710	21,021	5,913	191,456
Insurance	78,281	18,720	10,115	33,944	1,279	142,339
Office	14,681	58,808	26,669	12,741	2,460	115,359
Miscellaneous	25,650	969	24,062	50,495	2,726	103,902
Interest and bank fees	-	-	-	99,790	590	100,380
Conferences, dues, and subscriptions	9,285	880	11,849	66,450	3,442	91,906
Equipment purchased	31,373	29,852	17,322	2,548	4,376	85,471
Copier and printing	15,582	14,676	18,057	8,314	5,913	62,542
Depreciation	17,616	-	-	27,812	-	45,428
Training	9,208	5,507	20,248	2,181	-	37,144
Advertising	2,180	1,510	408	160	6,620	10,878
Equipment rental and maintenance	-	-	372	6,129	3,027	9,528
	<u>\$ 5,619,205</u>	<u>\$ 5,610,273</u>	<u>\$ 3,523,056</u>	<u>\$ 3,092,285</u>	<u>\$ 535,608</u>	<u>\$ 18,380,427</u>

See accompanying notes to financial statements.

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

Year Ended June 30, 2017

	Program Services			Supporting Services		Total
	Child and Youth Development	Youth, Adult, and Family Wellness	Community Engagement	Management and General	Fundraising and Development	
Salaries and fringe benefits	\$ 4,933,512	\$ 4,246,869	\$ 2,424,413	\$ 2,152,952	\$ 364,327	\$ 14,122,073
Contract services	382,222	492,458	110,222	244,787	16,606	1,246,295
Facilities cost	300,750	365,606	219,088	74,263	30,163	989,870
In-Kind goods and services	75,971	234,509	282,767	33,609	39,912	666,768
Program supplies	165,930	57,088	45,287	1,555	21,186	291,046
Wrap around services	38	189,602	12,838	50	48,447	250,975
Travel	69,276	101,012	38,929	13,331	650	223,198
Communication	29,002	49,121	29,168	44,112	2,433	153,836
Insurance	81,598	18,725	13,989	31,681	840	146,833
Office	17,448	76,998	19,521	19,379	3,721	137,067
Interest and bank fees	25	-	-	121,685	446	122,156
Miscellaneous	25,401	201	6,654	74,938	1,564	108,758
Copier and printing	23,406	22,205	34,322	13,736	6,484	100,153
Conferences, dues, and subscriptions	1,102	990	22,576	54,528	4,607	83,803
Equipment purchased	14,486	40,842	12,331	7,592	-	75,251
Depreciation	14,483	-	-	35,230	-	49,713
Training	19,299	10,361	8,703	3,396	-	41,759
Advertising	2,010	1,580	884	330	6,860	11,664
Equipment rental and maintenance	37	-	-	5,677	2,385	8,099
	<u>\$ 6,155,996</u>	<u>\$ 5,908,167</u>	<u>\$ 3,281,692</u>	<u>\$ 2,932,831</u>	<u>\$ 550,631</u>	<u>\$ 18,829,317</u>

See accompanying notes to financial statements.



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

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 758,869	\$ 790,641
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	45,428	49,713
Net realized and unrealized gains	(42,292)	(135,207)
Changes in operating assets and liabilities:		
Accounts receivable	22,310	18,909
Grants receivable	(561,845)	268,620
Prepaid expenses and other current assets	(10,177)	(47,199)
Accounts payable	(54,062)	1,703
Accrued expenses	168,751	(6,014)
Advanced extended day fees	(60,354)	(22,430)
Deferred revenue	193,587	(7,831)
Net Cash Provided by Operating Activities	460,215	910,905
Cash Flows from Investing Activities:		
Purchases of property and equipment	(17,086)	(32,353)
Proceeds from sale of investments	1,147,683	12,749
Purchases of investments	(1,449,170)	(50,900)
Net Cash Used by Investing Activities	(318,573)	(70,504)
Cash Flows Used by Financing Activities:		
Line-of-credit, net	-	(200,000)
Net Increase in Cash and Cash Equivalents	141,642	640,401
Cash and Cash Equivalents, beginning	2,066,980	1,426,579
Cash and Cash Equivalents, ending	\$ <u>2,208,622</u>	\$ <u>2,066,980</u>
Interest Paid During the year	\$ <u>-</u>	\$ <u>4,245</u>

See accompanying notes to financial statements.

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

### **Notes to Financial Statements**

Years Ended June 30, 2018 and 2017

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#### **Note 1 – Organization and Summary of Significant Accounting Policies**

##### Nature of Activities

Social Advocates for Youth, San Diego, Inc. (Organization) is a California nonprofit organization formed in 1971 with a vision of Opportunity, Equity and Well-being for all San Diegans. Its mission 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 Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no temporarily or permanently restricted net assets during the years ended June 30, 2018 and 2017.

##### 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, 2018 and 2017 because management believes that all amounts are collectible.

##### 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.

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

### **Notes to Financial Statements**

Years Ended June 30, 2018 and 2017

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

##### Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support in that period.

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 expenses the cost of advertising as incurred.

##### 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, 2018 and 2017 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.

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

### **Notes to Financial Statements**

Years Ended June 30, 2018 and 2017

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

##### Fair Value Measurements, continued

- 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, 2018 and 2017, due to the relative short maturities of these instruments.

##### 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.

##### Subsequent Events

The Organization has evaluated subsequent events through November 13, 2018, which is the date the financial statements were available to be issued. On August 31, 2018, the Organization was awarded a \$500,000 grant to be paid over two years for the launch of its Early Childhood Centers project.

#### **Note 2 – 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 \$1,799,012 and \$1,486,727 for the years ended June 30, 2018 and 2017, respectively.

##### Revenues

During the years ended June 30, 2018 and 2017, the Organization received funding of \$15,287,030 (80%) and \$15,809,435 (81%) from three sources, respectively. For the years ended June 30, 2018 and 2017, the Organization had grants receivable in the amount of \$1,575,241 (74%) and \$1,238,678 (79%) from two sources, respectively.

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

Years Ended June 30, 2018 and 2017

**Note 3 – Grants Receivable**

Grants receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
County of San Diego	\$ 1,054,812	\$ 761,041
San Diego Unified School District	520,429	477,638
First 5 San Diego	309,756	142,645
Other	185,099	83,166
California Department of Public Health	48,216	53,228
U.S. Department of Health and Human Services	3,158	45,022
United States Department of Justice	<u>3,115</u>	<u>-</u>
	<u>\$ 2,124,585</u>	<u>\$ 1,562,740</u>

**Note 4 – Investments**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and sweep balance	\$ 10,676	\$ -	\$ -	\$ -	\$ 10,676
Mutual funds	1,438,543	-	-	-	1,438,543
Exchange traded funds	<u>716,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>716,448</u>
	<u>\$ 2,165,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,165,667</u>

The following table presents the fair value measurement hierarchy of investments at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Cash and sweep balance	\$ 17,785	\$ -	\$ -	\$ -	\$ 17,785
Mutual funds	828,797	-	-	-	828,797
Exchange traded funds	<u>975,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>975,306</u>
	<u>\$ 1,821,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,821,888</u>

The following schedule summarizes the investment income for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 66,987	\$ 52,008
Net realized and unrealized gains	<u>42,292</u>	<u>135,207</u>
	<u>\$ 109,279</u>	<u>\$ 187,215</u>

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.****Notes to Financial Statements**Years Ended June 30, 2018 and 2017

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**Note 5 – Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Modular classroom buildings	\$ 360,555	\$ 343,469
Furniture and equipment	193,228	193,228
Leasehold improvements	<u>15,648</u>	<u>15,648</u>
	569,431	552,345
Less accumulated depreciation	<u>(433,384)</u>	<u>(387,956)</u>
	<u>\$ 136,047</u>	<u>\$ 164,389</u>

**Note 6 – Deferred Revenue**

Deferred revenue consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Military Family Resource Center	\$ 220,822	\$ 43,811
Education and Outreach	169,059	161,798
Family Support Services	76,783	43,449
Crawford Community Connections	57,601	77,551
Other Programs	<u>9,416</u>	<u>13,485</u>
	<u>\$ 533,681</u>	<u>\$ 340,094</u>

**Note 7 – Line of Credit**

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

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

### **Notes to Financial Statements**

Years Ended June 30, 2018 and 2017

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#### **Note 8 – 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 March 16, 2021.

Minimum future lease payments at June 30, 2018 are due as follows:

Year Ending <u>June 30,</u>	
2019	\$ 637,259
2020	689,552
2021	710,160
2022	729,131
2023	474,502
Thereafter	<u>894,036</u>
	<u>\$ 4,134,640</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$966,218 and \$873,303, respectively.

#### **Note 9 – Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **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 \$178,465 and \$184,763 for the years ended June 30, 2018 and 2017, 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.

## **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, 2018, 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 13, 2018.

#### **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 13, 2018

**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, 2018. 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, 2018.

**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.

*Alanich CPAs + Advisors LLP*

San Diego, California  
November 13, 2018

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

Year Ended June 30, 2018

<u>Federal/Pass-Through Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grantor No.</u>	<u>Expenditures</u>
<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	<u>115,545</u>
Total U.S. Department of Justice			115,545
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Sober Truth on Preventing Underage Drinking Act	93.243	SP021975-01	43,931
Drug-Free Communities Support Program Grants	93.276	H79SP019445/21116	<u>58,333</u>
Total Direct Programs			102,264
Pass-through Programs From County of San Diego:			
Community Services Block Grant Cluster:			
Community Services Block Grant	93.569	544428/547376	<u>394,229</u>
Total Community Services Block Grant Cluster			394,229
Medicaid Cluster:			
Medi-Cal Assistance Program	93.778	MAA-145	<u>1,955</u>
Total Medicaid Cluster			1,955
Promoting Safe and Stable Families	93.556	551375	170,488
Community-Based Child Abuse Prevention	93.590	551375	29,427
Stephanie Tubbs Jones Child Welfare Services Program	93.645	551375	43,103
Foster Care Title IV-E	93.658	553322	315,648
Block Grants for Community Mental Health Services	93.958	549425	433,462
Block Grants for Prevention and Treatment of Substance Abuse	93.959	551547/551550	<u>838,000</u>
Total U.S. Department of Health and Human Services			<u>2,328,576</u>
Total expenditures of federal awards			<u>\$ 2,444,121</u>

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

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

Year Ended June 30, 2018

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Social Advocates for Youth, San Diego, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**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, 2018

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**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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.958	Block Grants for Community Mental Health Services

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, 2018

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**Section IV – Schedule of Prior year Findings**

None