

# Social Advocates for Youth, San Diego, Inc.

Financial Statements and Supplemental Information

Years Ended June 30, 2020 and 2019



**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2020 and 2019

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**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
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 <i>Government Auditing Standards</i>	16
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	18
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22
Schedule of Prior Year Findings	23

## 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, 2020 and 2019, 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, 2020 and 2019, 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) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, on July 1, 2019. Our opinion is not modified with respect to that matter.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

### **Emphasis-of-Matter**

As discussed in Note 13 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

### **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 3, 2021, 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 3, 2021

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Statements of Financial Position**  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,793,511	\$ 2,970,417
Accounts receivable	-	93,177
Investments	2,647,224	2,608,356
Grants receivable	2,023,607	1,227,143
Prepaid expenses and other current assets	<u>437,832</u>	<u>411,899</u>
Total Current Assets	9,902,174	7,310,992
Property and Equipment, net of accumulated depreciation	<u>807,595</u>	<u>820,727</u>
Total Assets	<u>\$ 10,709,769</u>	<u>\$ 8,131,719</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 608,145	\$ 252,361
Accrued expenses	818,486	835,366
Contract liability: advanced extended day fees	58,900	165,268
Deferred revenue	1,198,370	756,646
Current portion of deferred lease incentives	<u>48,899</u>	<u>48,899</u>
Total Current Liabilities	2,732,800	2,058,540
Deferred Lease Incentives, net of current portion	220,043	268,942
Note Payable	<u>1,994,300</u>	<u>-</u>
Total Current Liabilities	<u>2,214,343</u>	<u>268,942</u>
Total Liabilities	4,947,143	2,327,482
Net Assets Without Donor Restrictions	<u>5,762,626</u>	<u>5,804,237</u>
Total Liabilities and Net Assets	<u>\$ 10,709,769</u>	<u>\$ 8,131,719</u>

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

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support Without Donor Restriction:		
Cost reimbursement grants	\$ 9,343,902	\$ 8,762,906
Performance based grants	3,802,834	3,580,529
Contract services	3,600,746	4,781,972
Grant revenue	952,731	774,798
In-kind contributions	402,934	862,478
Other revenue	374,359	68,517
Contributions	265,770	228,275
Investment income	<u>58,247</u>	<u>109,752</u>
Total Revenue and Support Without Donor Restriction	18,801,523	19,169,227
Expenses:		
Program Services:		
Child and youth development	6,123,676	5,917,050
Youth, adult, and family wellness	4,875,741	5,247,898
Community engagement	3,977,112	3,685,760
Supporting Services:		
Management and general	3,299,033	2,967,860
Fundraising and development	<u>567,572</u>	<u>605,146</u>
Total Expenses	<u>18,843,134</u>	<u>18,423,714</u>
Change in Net Assets	(41,611)	745,513
Net Assets Without Donor Restrictions, beginning	<u>5,804,237</u>	<u>5,058,724</u>
Net Assets Without Donor Restrictions, ending	<u>\$ 5,762,626</u>	<u>\$ 5,804,237</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		Total
	Child and Youth Development	Youth, Adult, and Family Wellness	Community Engagement	Total Program Services	Management and General	Fundraising and Development	
Salaries and fringe benefits	\$ 4,935,782	\$ 3,515,982	\$ 3,018,749	\$ 11,470,513	\$ 2,429,981	\$ 321,487	\$ 14,221,981
Contract services	306,411	475,811	168,668	950,890	216,761	81,741	1,249,392
Facilities cost	322,119	336,679	249,926	908,724	104,645	48,931	1,062,300
In-kind goods and services	39,931	84,014	221,822	345,767	25,411	31,756	402,934
Program supplies	201,835	20,297	42,043	264,175	196	3,051	267,422
Wrap around services	14,324	168,078	47,564	229,966	-	20,284	250,250
Communication	54,780	67,228	61,088	183,096	17,257	6,047	206,400
Insurance	109,795	19,006	15,205	144,006	33,815	2,508	180,329
Travel	41,355	69,235	41,875	152,465	5,221	665	158,351
Depreciation	15,798	-	-	15,798	137,747	-	153,545
Conferences, dues and subscription	10,096	680	8,222	18,998	98,217	8,221	125,436
Interest and bank fees	-	-	-	-	122,800	490	123,290
Miscellaneous	22,294	3,410	1,517	27,221	56,353	33,027	116,601
Equipment purchased	18,320	49,921	24,643	92,884	18,650	1,212	112,746
Office supplies	10,937	35,848	23,512	70,297	16,287	2,695	89,279
Copier and printing	15,782	17,129	30,080	62,991	12,002	1,431	76,424
Training	39	9,887	15,581	25,507	3,638	1,648	30,793
Advertising	4,078	2,536	6,617	13,231	52	2,378	15,661
	<u>\$ 6,123,676</u>	<u>\$ 4,875,741</u>	<u>\$ 3,977,112</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.**

**Statement of Functional Expenses**

Year Ended June 30, 2019

	Program Services				Supporting Services		
	Child and Youth Development	Youth, Adult, and Family Wellness	Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total
Salaries and fringe benefits	\$ 4,680,800	\$ 3,885,435	\$ 2,527,755	\$ 11,093,990	\$ 2,187,837	\$ 342,444	\$ 13,624,271
Facilities cost	342,167	348,043	206,763	896,973	82,869	35,725	1,015,567
Contract services	277,266	286,451	119,386	683,103	192,567	40,777	916,447
In-kind goods and services	86,612	139,585	542,324	768,521	34,321	59,636	862,478
Program supplies	205,703	63,115	67,577	336,395	384	11,383	348,162
Wrap around services	450	218,037	23,843	242,330	(1,431)	56,364	297,263
Travel	62,047	100,803	44,109	206,959	8,755	472	216,186
Communication	49,059	81,358	47,297	177,714	17,252	6,019	200,985
Insurance	99,143	19,343	13,192	131,678	35,031	1,667	168,376
Office supplies	15,684	49,789	21,223	86,696	33,503	2,392	122,591
Miscellaneous	27,497	14	350	27,861	66,695	24,695	119,251
Interest and bank fees	-	-	-	-	108,054	-	108,054
Conferences, dues and subscription	7,446	895	9,777	18,118	66,360	3,902	88,380
Copier and printing	15,400	20,454	29,893	65,747	16,630	5,786	88,163
Equipment purchased	7,619	15,031	16,931	39,581	33,219	471	73,271
Depreciation	17,901	-	-	17,901	79,573	-	97,474
Training	18,526	17,831	14,193	50,550	5,153	494	56,197
Advertising	3,730	1,714	1,147	6,591	1,088	12,919	20,598
	<u>\$ 5,917,050</u>	<u>\$ 5,247,898</u>	<u>\$ 3,685,760</u>	<u>\$ 14,850,708</u>	<u>\$ 2,967,860</u>	<u>\$ 605,146</u>	<u>\$ 18,423,714</u>

See accompanying notes to financial statements.



**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Statements of Cash Flows**  
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (41,611)	\$ 745,513
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	153,545	97,474
Net realized and unrealized loss (gains)	18,643	(35,170)
Changes in operating assets and liabilities:		
Accounts receivable	93,177	(2,622)
Grants receivable	(796,464)	897,442
Prepaid expenses and other current assets	(25,933)	10,669
Accounts payable	355,784	2,161
Accrued expenses	(16,880)	(313,492)
Advanced extended day fees	(106,368)	8,687
Deferred revenue	441,724	222,965
Deferred lease incentives	(48,899)	317,841
Net Cash Provided by Operating Activities	26,718	1,951,468
Cash Flows from Investing Activities:		
Purchases of property and equipment	(140,413)	(782,154)
Proceeds from sale of investments	1,400,904	688,860
Purchases of investments	(1,458,415)	(1,096,379)
Net Cash Used by Investing Activities	(197,924)	(1,189,673)
Cash Flows Provided by Financing Activities:		
Proceeds from debt issued	1,994,300	-
Net Increase in Cash and Cash Equivalents	1,823,094	761,795
Cash and Cash Equivalents, beginning	2,970,417	2,208,622
Cash and Cash Equivalents, ending	\$ 4,793,511	\$ 2,970,417

See accompanying notes to financial statements.

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

### **Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

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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.

##### New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). During the year ended June 30, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under US GAAP. During the year ended June 30, 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

##### 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 year ended June 30, 2020 and 2019.

##### 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, 2020 and 2019 because management believes that all amounts are collectible.

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

### **Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

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

##### Investments

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

##### Property and Equipment

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

##### Revenue and Support

###### *Contracts*

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

Contracts are accounted for under Topic 606, which the Organization adopted on July 1, 2019. The new guidance was applied retrospectively to the contracts that were not completed as of the adoption date. Management has determined that there is no impact on net assets as of July 1, 2019 due to the adoption of the new policy. Management has analyzed the provisions of ASC Topic 606 and has concluded that no changes are necessary to conform to the new standards.

###### *Contract Services*

The Organization provided 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.

###### *Contract Liability*

The contract liability, "Advanced extended day fees", represents prepayments received by the Organization for providing before and after school day care services.

###### *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.

Management has analyzed the provisions of ASC Topic 958 and has implemented the new standard on a modified prospective basis. No changes were necessary to conform with the new standard.

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

### **Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

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

##### 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.

##### 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, 2020 and 2019 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, and payables approximates fair value as of June 30, 2020 and 2019, due to the relative short maturities of these instruments.

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

### Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

##### Future Accounting Standard

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

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

##### Subsequent Events

The Organization has evaluated subsequent events through February 3, 2021, 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>2020</u>	<u>2019</u>
Cash	\$ 4,793,511	\$ 2,970,417
Accounts receivable	-	93,177
Investments	2,647,224	2,608,356
Grants receivables	<u>2,023,607</u>	<u>1,227,143</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,464,342</u>	<u>\$ 6,899,093</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, 2020, \$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.

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

Years Ended June 30, 2020 and 2019

**Note 3 – Concentrations of Credit Risk, continued**Revenues

During the years ended June 30, 2020 and 2019, the Organization received funding of \$14,707,779 (78%) and \$14,797,530 (77%) from three sources, respectively. For the years ended June 30, 2020 and 2019, the Organization had grants receivable in the amount of \$1,595,377 (79%) and \$743,933 (61%) from two and one sources, respectively.

**Note 4 – Grants Receivable**

Grants receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
County of San Diego	\$ 1,172,618	\$ 743,993
First 5 San Diego	422,759	28,512
Other	213,110	191,118
San Diego Unified School District	161,405	206,463
California Department of Public Health	41,656	35,737
United States Department of Justice	7,693	19,112
U.S. Department of Health and Human Services	4,366	2,208
	<u>\$ 2,023,607</u>	<u>\$ 1,227,143</u>

**Note 5 – Investments**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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, 2020 and 2019

**Note 5 – Investments, continued**

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>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>\$ 2,608,356</u>

**Note 6 – Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Modular classroom buildings	\$ 360,555	\$ 360,555
Furniture and equipment	166,213	210,172
Leasehold improvements	917,774	777,362
	1,444,542	1,348,089
Less accumulated depreciation	<u>(636,947)</u>	<u>(527,362)</u>
	<u>\$ 807,595</u>	<u>\$ 820,727</u>

**Note 7 – Deferred Revenue**

Deferred revenue consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Education and Outreach	\$ 429,253	\$ 272,669
Community Support Services	341,734	-
Family Support Services	227,729	170,733
Other Programs	140,711	175,774
Military Family Resource Center	58,943	137,470
	<u>\$ 1,198,370</u>	<u>\$ 756,646</u>

**Note 8 – Line of Credit**

The Organization has a 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 6.00% and 6.50% at June 30, 2020 and 2019, respectively. There was no outstanding balance on the Torrey Pines Bank line of credit as of June 30, 2020 and 2019.

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

### Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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#### Note 9 – Note Payable

On April 20, 2020, the Organization received loan proceeds in the amount of \$1,944,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after either eight or twenty-four weeks, as elected by the borrower, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payment to either (1) the date that Small Business Administration remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The Organization believes it has used the entire loan amount for qualifying expenses. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there is no assurance that the loan will be forgiven, in part or in whole.

Principal payments on note payable at June 30, 2020 are due as follows:

Year Ending <u>June 30,</u>	
2021	\$ -
2022	<u>1,994,300</u>
	<u>\$ 1,994,300</u>

#### 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, 2020 are due as follows:

Year Ending <u>June 30,</u>	
2021	\$ 751,009
2022	759,642
2023	567,607
2024	372,687
2025	360,192
Thereafter	<u>184,137</u>
	<u>\$ 2,995,274</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$966,691 and \$933,629, 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 \$179,589 and \$177,284 for the years ended June 30, 2020 and 2019, respectively, and are included in salaries and fringe benefits in the statements of functional expenses.



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

### **Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

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#### **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.

#### **Note 13 – Subsequent Events**

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.

#### **Note 14 – Reclassification**

Certain items in the 2019 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, 2020, 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 3, 2021.

**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 the 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 3, 2021



Aldrich CPAs + Advisors LLP  
7676 Hazard Center Drive, #1300  
San Diego, California 92108

**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, 2020. 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, 2020.

**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 3, 2021

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2020

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	\$ <u>127,433</u>
Total U.S. Department of Justice			127,433
<u>U.S. Department of Education</u>			
Pass-through Programs			
Pass-through Programs from South Bay Community Services Promise Neighborhood	84.215	U215N180049	<u>80,186</u>
Total U.S. Department of Education			80,186
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Sober Truth on Preventing Underage Drinking Act	93.243	SP021975-01	<u>43,555</u>
Total Direct Programs			43,555
Pass-through Programs From County of San Diego:			
Community Services Block Grant Cluster:			
Community Services Block Grant	93.569	544428/547376	<u>90,238</u>
Total Community Services Block Grant Cluster			90,238
Promoting Safe and Stable Families	93.556	551375	210,933
Temporary Assistance for Needy Families	93.558	559474	275,688
Stephanie Tubbs Jones Child Welfare Services Program	93.645	551375	93,070
Medical Assistance Program	93.778	555937	156,189
Block Grants for Prevention and Treatment of Substance Abuse	93.959	551547/551550	<u>909,324</u>
Total U.S. Department of Health and Human Services			<u>1,778,997</u>
Total expenditures of federal awards			\$ <u><u>1,986,616</u></u>

**SOCIAL ADVOCATES FOR YOUTH, SAN DIEGO, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2020

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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, 2020

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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      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

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, 2020

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

None