

CALIFORNIA YOUTH CONNECTION
(A NONPROFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE FINANCIAL
INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

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INDEPENDENT AUDITOR'S REPORT

December 20, 2019

Board of Directors
California Youth Connection
Emeryville, California

I have audited the financial statements of California Youth Connection (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, cash flows for the year then ended, and the 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
California Youth Connection
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Youth Connection as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

California Youth Connection's 2018 financial statements were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in my report dated October 15, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Healy and Associates
Concord, California

CALIFORNIA YOUTH CONNECTION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	June 30	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 582,559	\$ 358,558
Grants and contracts receivables	665,799	467,451
Prepaid expenses	920	75,229
Total current assets	<u>1,249,278</u>	<u>901,238</u>
Property and equipment, net	<u>-</u>	<u>-</u>
Other assets:		
Security deposits	<u>8,249</u>	<u>8,249</u>
Total other assets	<u>8,249</u>	<u>8,249</u>
Total assets	<u>\$ 1,257,527</u>	<u>\$ 909,487</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 49,620	\$ 152,811
Accrued vacation payable	39,758	44,192
Deferred revenue	50,000	80,000
Line of credit	<u>-</u>	<u>-</u>
Total liabilities	<u>139,378</u>	<u>277,003</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	653,708	34,628
With donor restrictions	<u>464,441</u>	<u>597,856</u>
Total net assets	<u>1,118,149</u>	<u>632,484</u>
Total liabilities and net assets	<u>\$ 1,257,527</u>	<u>\$ 909,487</u>

CALIFORNIA YOUTH CONNECTION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30	
			2019	2018
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Foundation and community grants	\$ 13,706	\$ 682,120	\$ 695,826	\$ 899,235
Individual contributions and other	108,444	-	108,444	58,159
In-kind services	1,200	-	1,200	-
Total public support	<u>123,350</u>	<u>682,120</u>	<u>805,470</u>	<u>957,394</u>
Revenue:				
Contract income	1,913,474	-	1,913,474	1,829,592
Special events	2,018	-	2,018	210
Registration fees	80,529	-	80,529	85,157
Program service fees	51,537	-	51,537	60,280
Miscellaneous	3,826	-	3,826	4,135
Interest	255	-	255	83
Total revenue	<u>2,051,639</u>	<u>-</u>	<u>2,051,639</u>	<u>1,979,457</u>
Total public support and revenue	<u>2,174,989</u>	<u>682,120</u>	<u>2,857,109</u>	<u>2,936,851</u>
Net assets released from restriction	<u>815,535</u>	<u>(815,535)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,990,524</u>	<u>(133,415)</u>	<u>2,857,109</u>	<u>2,936,851</u>
EXPENSES				
Program services	1,875,397	-	1,875,397	1,789,428
Support services:				
Management and general	219,800	-	219,800	713,889
Fundraising	<u>276,247</u>	<u>-</u>	<u>276,247</u>	<u>163,996</u>
Total Expenses	<u>2,371,444</u>	<u>-</u>	<u>2,371,444</u>	<u>2,667,313</u>
CHANGES IN NET ASSETS	619,080	(133,415)	485,665	269,538
NET ASSETS, beginning of year	<u>34,628</u>	<u>597,856</u>	<u>632,484</u>	<u>362,946</u>
NET ASSETS, end of year	<u>\$ 653,708</u>	<u>\$ 464,441</u>	<u>\$ 1,118,149</u>	<u>\$ 632,484</u>

See Notes to Financial Statements

CALIFORNIA YOUTH CONNECTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Program	Support Services			Totals	
	Youth Activities	Management and General	Fundraising	Total	2019	2018
Salaries	\$ 778,718	\$ 93,860	\$ 87,231	\$ 181,091	\$ 959,809	\$ 1,072,706
Employee benefits	71,881	8,664	8,052	16,716	88,597	96,792
Payroll taxes	68,621	8,271	7,687	15,958	84,579	91,044
Total payroll-related costs	919,220	110,795	102,970	213,765	1,132,985	1,260,542
Consulting	306,091	14,796	138,791	153,587	459,678	310,926
Travel and entertainment	240,926	47,896	2,913	50,809	291,735	327,714
Rent	117,803	16,267	10,981	27,248	145,051	139,488
Program expenses	141,407	-	-	-	141,407	370,560
Accounting and audit fees	83,062	11,767	7,943	19,710	102,772	111,834
Supplies	20,944	6,325	291	6,616	27,560	38,531
Dues and subscriptions	13,950	1,858	6,242	8,100	22,050	29,169
Telephone	15,089	1,741	1,175	2,916	18,005	17,372
Insurance	8,377	1,187	801	1,988	10,365	21,886
Printing and reproduction	5,352	2,063	2,301	4,364	9,716	11,876
Payroll fees	3,031	429	290	719	3,750	5,478
Postage and delivery	130	1,468	1,123	2,591	2,721	2,930
Bank service charges	15	1,626	426	2,052	2,067	4,514
In-kind services	-	1,200	-	1,200	1,200	-
Taxes and licenses	-	382	-	382	382	-
Miscellaneous	-	-	-	-	-	8,841
Interest	-	-	-	-	-	5,507
Incentive expense	-	-	-	-	-	145
TOTAL EXPENSES	\$ 1,875,397	\$ 219,800	\$ 276,247	\$ 496,047	\$ 2,371,444	\$ 2,667,313

CALIFORNIA YOUTH CONNECTION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	Year Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 485,665	\$ 269,538
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Grants and contracts receivables	(198,348)	167,816
Prepaid expenses	74,309	(61,554)
Accounts payable and accrued expenses	(107,625)	(16,367)
Deferred revenue	(30,000)	80,000
NET CASH PROVIDED IN OPERATING ACTIVITIES	224,001	439,433
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing (repayment) on line of credit	-	(247,000)
NET CASH USED BY FINANCING ACTIVITIES	-	(247,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	224,001	192,433
CASH AND CASH EQUIVALENTS, beginning of year	358,558	166,125
CASH AND CASH EQUIVALENTS, end of year	\$ 582,559	\$ 358,558
Supplementary Information:		
Interest expense	\$ -	\$ 5,507

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE A – ORGANIZATION

California Youth Connection (“CYC” or “Organization”) is a non–profit advocacy/youth leadership organization composed of current and former foster youth that strive to improve the foster care system by making it possible for the youth to have a say in how child welfare services are delivered. With 42 county-based chapters and subchapters throughout California, and over 900 members, CYC works at the state and local levels to educate legislators and policy makers about how policies and programs affect foster youth. Current or former foster youth members sit on, and participate in, committees and give presentations throughout the state on their experiences in foster care and their recommendations for change. One of the primary goals of the organization is to improve social work practice and policy by empowering youth to articulate how things can be done differently.

CYC was established in 1988 after several years of increasing youth participation in California. CYC opened a statewide office in San Francisco in 1995 to expand membership and improve communication and coordination among the local chapters. Since the statewide office opened, the number of CYC chapters has increased over 200%. This growth reflects the tremendous positive response to CYC around the state, from social services executives and legislators, to the youth themselves. There are now also offices in Sacramento, Fresno, and Los Angeles. Consequently, CYC’s members now sit on numerous policy committees within the child welfare field, and CYC, as an organization, has contributed greatly to the body of knowledge on how youth believe the foster care system can be improved. CYC members and staff also coordinate two statewide conferences per year where youth assemble to study issues, receive training on leadership and the legislative process, meet with lawmakers and policy makers, and work together to form a strong voice to advocate for statewide improvements in California’s foster care system. CYC summarizes the youth’s recommendations for the leadership/policy conference and publishes a report each year on their findings. These activities serve to better educate the public and policy makers about the unique needs and challenges foster youth face.

CYC was founded on the principle of youth empowerment. Youth study and speak out on issues related to their own care, organize and run their own local meetings, and make decisions about the overall direction of the statewide organization. Participation in CYC greatly enhances the youth’s confidence and esteem because of their experiences in being heard not just by legislators and policy makers, but also within their own organization. CYC’s Board of Directors is comprised of over 50% former foster youth. Additionally, CYC has an all-youth advisory board. The Board of Directors and the advisory board meet on a quarterly basis each year to make policy decisions and to chart the course of the organization. The statewide office staff reflects their commitment to youth empowerment, as most of the programmatic staff are former foster youth.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE A – ORGANIZATION (Continued)

On the local level, each of CYC's 42 chapters and subchapters selects and works on county policy issues that they believe could also be improved. Chapters meet twice a month and consider ways to educate local policy makers about their experiences in care and their recommendations for change. Since California has a state-run, county-administered child welfare system, youth understand that some local policies can be changed, which will impact foster youth throughout their county. CYC's work provides valuable insights into ways to improve service delivery for foster youth. CYC has established a strong reputation as a credible organization that brings the views of foster youth to the forefront. The Y.O.U.T.H. Training Project, a nonprofit program that provides development services to youth and training opportunities to child welfare professionals, became a part of CYC's program effective February 13, 2012.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and Contracts Receivable

Grants and contracts receivable are receivables primarily from foundations and governmental agencies, which are considered fully collectible by management. Therefore, no allowance for doubtful accounts has been provided.

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Organization measures the fair value of cash and cash equivalents using Level 1 inputs.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are capitalized if the cost of an asset is greater than or equal to \$2,500 and the useful life is greater than one year. Property and Equipment are recorded at cost if purchased or at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Income Tax Status

The Organization has received exempt status under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and Management has analyzed tax positions taken and has concluded that, as of June 30, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Contributions and Revenue

The Organization receives contributions and grants from corporations, governmental entities, charitable organizations and individuals. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, 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. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Revenues from government contracts are recognized when the Organization rendered the services stipulated in the contract and billed. Program service and registration fees are recognized when services have been rendered.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. \$1,200 and \$0 in donated services were received during the years ended June 30, 2019 and 2018, respectively.

Concentrations

Financial instruments that are potentially subject to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivables. The Organization places its cash and cash equivalents with high-credit, quality financial institutions. At June 30, 2019, cash and cash equivalents were in excess of the Federal Deposit Insurance Corporation insurance limit by \$279,172. The Organization monitors the solvency of the financial institution and has not incurred losses on these instruments.

The Organization's accounts receivable consists primarily of contributions from foundations and contracts with government agencies. The Organization is dependent on public support from foundations and on contractual income received from the State of California and the counties of Humboldt, Santa Clara, and Ventura, among others. The level of these support and fees varies which could affect the level of activities and program services offered by the Organization.

Functional Allocation of Expenses

The costs for providing the Organization's programs and other activities have been summarized on a functional basis in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses employee compensation by program and support to allocate indirect costs.

Comparative Financial Information and Reclassifications

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added.

Recent Accounting Pronouncements

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"), the FASB issued 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies for annual periods beginning after December 15, 2018. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2018 to January 1, 2019, while allowing for early adoption as of January 1, 2018 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectability criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

CALIFORNIA YOUTH CONNECTION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE C – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Grants receivable	\$ 50,000	\$ -
Contracts and fees receivable	<u>605,799</u>	<u>467,451</u>
Receivables, net	<u>\$ 655,799</u>	<u>\$ 467,451</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Computers	\$ 4,442	\$ 4,442
Furniture, fixtures, and equipment	<u>16,104</u>	<u>16,104</u>
	20,546	20,546
Less: Accumulated depreciation	<u>(20,546)</u>	<u>(20,546)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$0 for both years.

NOTE E – COMMITMENTS AND CONTINGENCIES

Leases

The Organization leased space for its administrative office in Oakland, California. The lease runs through July 2019. Subsequent to year end, the Organization entered into a lease for office space in Emeryville, California for the period September 2019 through August 2024. In addition, the Organization leases office machinery at approximately \$725 per month through June 2021. The future minimum payments associated with these leases, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$93,040
2021	\$88,184
2022	\$89,176
2023	\$91,851
2024	\$94,607

Rent expense under operating leases for the year ended June 30, 2019 and 2018 was \$145,051 and \$139,488, respectively.

CALIFORNIA YOUTH CONNECTION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)

Contracts

The Organization’s contracts are subject to audit by the appropriate governmental funding agency; the purpose of such audit is to determine whether program funds are used in accordance with their respective guidelines and regulations. There is a risk that previously funded program costs may be disallowed after an audit, however, the ultimate outcome cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements.

Grants

Grant awards require the fulfillment of certain conditions as set forth in the instruments of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the Organization to the provisions of the grants. Management is of the opinion that the Organization has complied with the terms of all grants.

NOTE F – LINES OF CREDIT

The Organization has a line of credit agreement with a bank, for a maximum available amount of \$250,000. Borrowings from this line of credit bear interest at 6.25% per annum. The Organization has an additional line of credit with a bank amounting to \$10,000. Borrowings from this line of credit bear a variable interest rate. The outstanding balances on the lines of credit at June 30, 2019 and 2018 is \$ 0.

NOTE G – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$582,559
Contributions and grants receivable	665,799
Total financial assets	<u>1,248,358</u>
Less amounts:	
Net assets with restrictions	<u>(464,441)</u>
	<u>(464,441)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$783,917</u></u>

CALIFORNIA YOUTH CONNECTION**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2019

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

NOTE G – LIQUIDITY AND AVAILABILITY (Continued)

As part of the Organization’s liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended June 30, 2019, activity in net assets with donor restrictions consists of the following:

	<u>6/30/18</u>	<u>Awards</u>	<u>Releases</u>	<u>6/30/19</u>
Youth programs	\$597,856	\$682,120	(\$815,535)	\$464,441
Total	<u>\$597,856</u>	<u>\$682,120</u>	<u>(\$815,535)</u>	<u>\$464,441</u>

NOTE I – EMPLOYEE BENEFITS

The Organization has a deferred contribution plan available for all employees. The Organization contributes an amount equal to 3% of each employee’s gross annual income for all eligible employees. Contributions made to the plan for the years ended June 30, 2019 and 2018 were \$7,319 and \$8,674, respectively. For June 30, 2019 and 2018, accrued vacations amounted to \$39,758 and \$44,192, respectively.

NOTE J – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through December 20, 2019, the date which the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2019 that required recognition or disclosure in the financial statements.