

CALIFORNIA YOUTH CONNECTION
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE FINANCIAL
INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
NOTES TO FINANCIAL STATEMENTS.....	7-16

INDEPENDENT AUDITOR'S REPORT

March 25, 2021

Board of Directors
California Youth Connection
Emeryville, California

I have audited the accompanying financial statements of California Youth Connection (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2020, 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
Page Two

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, 2020, 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 2019 financial statements were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 20, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Healy and Associates

Healy and Associates
Concord, California

CALIFORNIA YOUTH CONNECTION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	June 30	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 700,478	\$ 582,559
Grants and contracts receivables	1,038,886	665,799
Prepaid expenses	12,953	920
Total current assets	<u>1,752,317</u>	<u>1,249,278</u>
Property and equipment, net	<u>-</u>	<u>-</u>
Other assets:		
Security deposits	<u>8,172</u>	<u>8,249</u>
Total other assets	<u>8,172</u>	<u>8,249</u>
Total assets	<u><u>\$ 1,760,489</u></u>	<u><u>\$ 1,257,527</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 33,720	\$ 49,620
Accrued vacation payable	10,595	39,758
Deferred revenue	-	50,000
Line of credit	<u>-</u>	<u>-</u>
Total liabilities	<u>44,315</u>	<u>139,378</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	1,105,980	653,708
With donor restrictions	<u>610,194</u>	<u>464,441</u>
Total net assets	<u>1,716,174</u>	<u>1,118,149</u>
Total liabilities and net assets	<u><u>\$ 1,760,489</u></u>	<u><u>\$ 1,257,527</u></u>

See Notes to Financial Statements

CALIFORNIA YOUTH CONNECTION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

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

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30	
			2020	2019
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Foundation and community grants	\$ 672,978	\$ 559,309	\$ 1,232,287	\$ 695,826
Individual contributions and other	93,545	-	93,545	108,444
In-kind services	2,350	-	2,350	1,200
Total public support	<u>768,873</u>	<u>559,309</u>	<u>1,328,182</u>	<u>805,470</u>
Revenue:				
Contract income	1,356,294	-	1,356,294	1,913,474
Special events	500	-	500	2,018
Registration fees	45,313	-	45,313	80,529
Program service fees	8,129	-	8,129	51,537
Miscellaneous	6,577	-	6,577	3,826
Interest	965	-	965	255
Total revenue	<u>1,417,778</u>	<u>-</u>	<u>1,417,778</u>	<u>2,051,639</u>
Total public support and revenue	<u>2,186,651</u>	<u>559,309</u>	<u>2,745,960</u>	<u>2,857,109</u>
Net assets released from restriction	<u>413,556</u>	<u>(413,556)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,600,207</u>	<u>145,753</u>	<u>2,745,960</u>	<u>2,857,109</u>
EXPENSES				
Program services	1,332,863	-	1,332,863	1,875,397
Support services:				
Management and general	701,830	-	701,830	219,800
Fundraising	113,242	-	113,242	276,247
Total Expenses	<u>2,147,935</u>	<u>-</u>	<u>2,147,935</u>	<u>2,371,444</u>
CHANGES IN NET ASSETS	452,272	145,753	598,025	485,665
NET ASSETS, beginning of year	<u>653,708</u>	<u>464,441</u>	<u>1,118,149</u>	<u>632,484</u>
NET ASSETS, end of year	<u>\$ 1,105,980</u>	<u>\$ 610,194</u>	<u>\$ 1,716,174</u>	<u>\$ 1,118,149</u>

See Notes to Financial Statements

CALIFORNIA YOUTH CONNECTION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Program	Support Services			Totals	
	Youth Activities	Management and General	Fundraising	Total	2020	2019
Salaries	\$ 686,921	\$ 341,120	\$ 56,005	\$ 397,125	\$ 1,084,046	\$ 959,809
Employee benefits	80,704	(9,112)	3,137	(5,975)	74,729	88,597
Payroll taxes	60,863	27,507	6,046	33,553	94,416	84,579
Total payroll-related costs	828,488	359,515	65,188	424,703	1,253,191	1,132,985
Consulting	181,693	118,764	43,130	161,894	343,587	459,678
Travel and entertainment	190,044	25,336	895	26,231	216,275	291,735
Rent	7,925	88,692	-	88,692	96,617	145,051
Program expenses	93,202	4,601	525	5,126	98,328	141,407
Supplies	23,595	8,143	494	8,637	32,232	27,560
Accounting and audit fees	-	28,721	-	28,721	28,721	102,772
Dues and subscriptions	431	15,907	2,665	18,572	19,003	22,050
Telephone	1,504	16,755	224	16,979	18,483	18,005
Insurance	-	11,582	-	11,582	11,582	10,365
Office expenses	-	9,613	-	9,613	9,613	-
Printing and reproduction	5,434	1,084	-	1,084	6,518	9,716
Miscellaneous	-	3,138	-	3,138	3,138	-
Repair and maintenance	-	2,775	-	2,775	2,775	-
In-kind services	-	2,000	-	2,000	2,000	1,200
Bank service charges	117	1,582	121	1,703	1,820	2,067
Utilities	-	1,359	-	1,359	1,359	-
Postage and delivery	80	1,160	-	1,160	1,240	2,721
Payroll fees	-	767	-	767	767	3,750
In-kind use of facilities	350	-	-	-	350	-
Taxes and licenses	-	336	-	336	336	382
TOTAL EXPENSES	\$ 1,332,863	\$ 701,830	\$ 113,242	\$ 815,072	\$ 2,147,935	\$ 2,371,444

CALIFORNIA YOUTH CONNECTION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

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

	Year Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 598,025	\$ 485,665
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Grants and contracts receivables	(373,087)	(198,348)
Prepaid expenses	(12,033)	74,309
Deposits	77	-
Accounts payable and accrued expenses	(45,063)	(107,625)
Deferred revenue	(50,000)	(30,000)
NET CASH PROVIDED IN OPERATING ACTIVITIES	<u>117,919</u>	<u>224,001</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,919	224,001
CASH AND CASH EQUIVALENTS, beginning of year	<u>582,559</u>	<u>358,558</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 700,478</u>	<u>\$ 582,559</u>

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

NOTE A – ORGANIZATION

California Youth Connection (“CYC” or “Organization”) is a nonprofit public benefit corporation. CYC is an 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, 2020

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

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 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, 2020

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

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 (Level 1). 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.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

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, 2020, 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 is supported through contributions and grants from corporations, governmental grants and contracts, 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, 2020

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

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. \$2,000 and \$1,200 in donated services were received during the years ended June 30, 2020 and 2019, respectively. In addition, \$350 and \$0 was recognized for use of facilities for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, cash and cash equivalents were in excess of the Federal Deposit Insurance Corporation insurance limit by \$246,309 and \$279,172, respectively. The Organization monitors the solvency of the financial institution and has not incurred losses on these instruments.

Grants and contracts receivable constitute a concentration of credit risk as approximately 81% is due from one funder. The liquidity of these funders is not a concern to management at this time.

During the year ended June 30, 2020, approximately 42% of the Organization's revenue and support is from two funders (30% and 12%). The level of this 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.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2019, from which the summarized information was derived.

Newly Adopted Accounting Principles

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard on July 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Relevant Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization plans to adopt the standard on July 1, 2020. The Organization is currently evaluating impact of adopting this new guidance on its financial statements.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Relevant Accounting Pronouncements (Continued)**

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Grants receivable	\$ 75,000	\$ 50,000
Contracts and fees receivable	963,886	605,799
Receivables	<u>\$1,038,886</u>	<u>\$ 655,799</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Computers	\$ -	\$ 4,442
Furniture, fixtures, and equipment	-	16,104
	-	20,546
Less: Accumulated depreciation	-	(20,546)
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$0 for both years.

CALIFORNIA YOUTH CONNECTION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

NOTE E – COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases office space in Emeryville, California through August 2024 at approximately \$7,100 per month. In addition, the Organization leases office machinery at approximately \$50 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>
2021	\$87,190
2022	\$89,180
2023	\$91,856
2024	\$94,604
2025	\$15,844

Rent expense under operating leases for the year ended June 30, 2020 and 2019 was \$96,617 and \$145,051, respectively.

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.

COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. While the Organization has revised operations in light of COVID-19, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

CALIFORNIA YOUTH CONNECTION**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

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

NOTE F – LINES OF CREDIT

The Organization has a line of credit agreement with a bank, for a maximum available amount of \$250,000, and matures June 2022. Borrowings from this line of credit bear interest at 4.5% per annum. In addition, the Organization has a 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, 2020 and 2019 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	\$700,478
Contributions and grants receivable	<u>1,038,886</u>
Total financial assets	1,739,364
Less amounts:	
Net assets with restrictions	<u>(610,194)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$1,129,170</u></u>

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, 2020, activity in net assets with donor restrictions consists of the following:

<u>Restriction</u>	<u>6/30/19</u>	<u>Awards</u>	<u>Releases</u>	<u>6/30/20</u>
<u>Purpose:</u>				
Youth programs	<u>\$464,441</u>	<u>\$559,309</u>	<u>(\$413,556)</u>	<u>\$610,194</u>
Total	<u><u>\$464,441</u></u>	<u><u>\$559,309</u></u>	<u><u>(\$413,556)</u></u>	<u><u>\$610,194</u></u>

CALIFORNIA YOUTH CONNECTION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

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, 2020 and 2019 were \$7,165 and \$7,319, respectively.

At June 30, 2020 and 2019, the Organization has accrued a liability for vacation payable in the amount of \$10,595 and \$39,758, respectively, and is reflected in the accompanying financial statement of financial position.

NOTE J – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through March 25, 2021, the date which the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in the financial statements.