

# **Center for Youth Wellness**

Financial Statements

December 31, 2015

(With Comparative Totals for December 31, 2014)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Center for Youth Wellness  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Center for Youth Wellness (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Center for Youth Wellness as of December 31, 2015, 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.

## **Report on Summarized Comparative Information**

The prior year summarized comparative information has been derived from Center for Youth Wellness' 2014 financial statements, which were audited by other auditors whose report dated April 30, 2015, expressed an unmodified opinion on those statements. As discussed in Note 2, Center for Youth Wellness has reclassified certain 2014 information to conform to the 2015 presentation. The other auditors reported on the 2014 financial statements before the reclassifications. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of Center for Youth Wellness and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole. In our opinion, other than the reclassifications described in Note 2, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it was derived.

*Armanino LLP*

Armanino<sup>LLP</sup>  
San Francisco, California

March 3, 2016

CENTER FOR YOUTH WELLNESS  
Statement of Financial Position  
December 31, 2015  
(With Comparative Totals for 2014)

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| <u>ASSETS</u>  | <u>2015</u>          | <u>2014</u>         |
|--|----------------------|---------------------|
| Current assets   |                      |                     |
| Cash and cash equivalents  | \$ 1,000,666         | \$ 2,982,796        |
| Grants and pledges receivable, current portion                     | 5,417,112            | 2,429,334           |
| Prepaid expenses and other assets                                  | <u>69,924</u>        | <u>29,444</u>       |
| Total current assets   | 6,487,702            | 5,441,574           |
| Grants and pledges receivable, net of discount and current portion | 3,137,615            | 1,996,250           |
| Deposits   | 3,938                | -                   |
| Property and equipment, net  | <u>999,756</u>       | <u>1,054,370</u>    |
| Total assets   | <u>\$ 10,629,011</u> | <u>\$ 8,492,194</u> |
| <u>LIABILITIES AND NET ASSETS</u>                                  |                      |                     |
| Current liabilities  |                      |                     |
| Accounts payable   | \$ 45,088            | \$ 19,330           |
| Accrued expenses   | <u>216,165</u>       | <u>104,009</u>      |
| Total current liabilities  | <u>261,253</u>       | <u>123,339</u>      |
| Net assets   |                      |                     |
| Unrestricted   | 1,493,476            | 2,217,327           |
| Temporarily restricted   | <u>8,874,282</u>     | <u>6,151,528</u>    |
| Total net assets   | <u>10,367,758</u>    | <u>8,368,855</u>    |
| Total liabilities and net assets                                   | <u>\$ 10,629,011</u> | <u>\$ 8,492,194</u> |

The accompanying notes are an integral part of these financial statements.

CENTER FOR YOUTH WELLNESS  
Statement of Activities  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

|                                       | 2015                |                           |                      | 2014<br>Total       |
|---------------------------------------|---------------------|---------------------------|----------------------|---------------------|
|                                       | Unrestricted        | Temporarily<br>Restricted | Total                |                     |
| Support and revenue                   |                     |                           |                      |                     |
| Foundation grants                     | \$ 708,657          | \$ 6,126,172              | \$ 6,834,829         | \$ 6,538,286        |
| Individual donations                  | 205,564             | 600,000                   | 805,564              | 231,917             |
| Donated services and goods            | 210,895             | -                         | 210,895              | 48,218              |
| Speech fees and other revenues        | 43,124              | -                         | 43,124               | 48,407              |
| Net assets released from restrictions | 4,003,418           | (4,003,418)               | -                    | -                   |
| Total support and revenue             | <u>5,171,658</u>    | <u>2,722,754</u>          | <u>7,894,412</u>     | <u>6,866,828</u>    |
| Expenses                              |                     |                           |                      |                     |
| Program services                      | 4,346,322           | -                         | 4,346,322            | 2,066,616           |
| Management and general                | 713,579             | -                         | 713,579              | 363,449             |
| Fundraising                           | 835,608             | -                         | 835,608              | 465,847             |
| Total expenses                        | <u>5,895,509</u>    | <u>-</u>                  | <u>5,895,509</u>     | <u>2,895,912</u>    |
| Change in net assets                  | (723,851)           | 2,722,754                 | 1,998,903            | 3,970,916           |
| Net assets, beginning of period       | <u>2,217,327</u>    | <u>6,151,528</u>          | <u>8,368,855</u>     | <u>4,397,939</u>    |
| Net assets, end of period             | <u>\$ 1,493,476</u> | <u>\$ 8,874,282</u>       | <u>\$ 10,367,758</u> | <u>\$ 8,368,855</u> |

The accompanying notes are an integral part of these financial statements.

CENTER FOR YOUTH WELLNESS  
Statement of Functional Expenses  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

|                                      | Program Services    |                     |                         |                           |                               |                              | Management<br>and<br>General | Fundraising       | 2015<br>Total       | 2014<br>Total       |
|--------------------------------------|---------------------|---------------------|-------------------------|---------------------------|-------------------------------|------------------------------|------------------------------|-------------------|---------------------|---------------------|
|                                      | Clinical            | Health<br>Education | Community<br>Engagement | Policy<br>and<br>Advocacy | Research<br>and<br>Evaluation | Total<br>Program<br>Services |                              |                   |                     |                     |
| Expenses                             |                     |                     |                         |                           |                               |                              |                              |                   |                     |                     |
| Salaries and wages                   | \$ 510,799          | \$ 174,198          | \$ 118,429              | \$ 370,903                | \$ 538,744                    | \$ 1,713,073                 | \$ 357,638                   | \$ 427,872        | \$ 2,498,583        | \$ 1,468,941        |
| Program consultants                  | 262,067             | 5,751               | 6,501                   | 398,093                   | 177,246                       | 849,658                      | -                            | 5,020             | 854,678             | 501,346             |
| Professional services and legal fees | 84,244              | 10,173              | 24,027                  | 83,277                    | 83,202                        | 284,923                      | 126,036                      | 125,070           | 536,029             | 166,324             |
| Fixed sponsorship expenses           | -                   | -                   | -                       | -                         | 552,319                       | 552,319                      | -                            | -                 | 552,319             | -                   |
| Payroll taxes and employee benefits  | 122,753             | 33,088              | 23,935                  | 63,993                    | 128,130                       | 371,899                      | 84,586                       | 69,340            | 525,825             | 260,782             |
| Recruiting                           | 79,317              | -                   | -                       | 25                        | 3,541                         | 82,883                       | 53,493                       | 92,492            | 228,868             | 57,057              |
| Depreciation and amortization        | 48,843              | 11,474              | 8,024                   | 25,672                    | 41,778                        | 135,791                      | 7,265                        | 30,610            | 173,666             | 161,074             |
| Travel and meals                     | 9,878               | 944                 | 1,911                   | 36,358                    | 21,863                        | 70,954                       | 31,186                       | 23,758            | 125,898             | 51,774              |
| Facilities and equipment expenses    | 6,000               | 1,319               | 995                     | 3,754                     | 22,584                        | 34,652                       | 6,076                        | 3,336             | 44,064              | 2,828               |
| Rent                                 | 34,630              | 8,719               | 6,574                   | 22,458                    | 32,408                        | 104,789                      | 18,442                       | 24,181            | 147,412             | 85,337              |
| Office                               | 9,415               | 2,205               | 1,704                   | 7,630                     | 8,634                         | 29,588                       | 7,769                        | 7,099             | 44,456              | 20,607              |
| Dues and subscriptions               | 3,282               | 804                 | 593                     | 3,398                     | 14,604                        | 22,681                       | 4,112                        | 7,838             | 34,631              | 12,699              |
| Telephone and communications         | 12,672              | 1,675               | 1,272                   | 3,733                     | 5,334                         | 24,686                       | 3,378                        | 4,089             | 32,153              | 15,643              |
| Postage, delivery and printing       | 2,235               | 762                 | 2,064                   | 16,206                    | 1,981                         | 23,248                       | 1,907                        | 8,101             | 33,256              | 27,131              |
| Payroll fees                         | 3,902               | 970                 | 745                     | 2,572                     | 3,730                         | 11,919                       | 2,264                        | 2,748             | 16,931              | 11,394              |
| Insurance                            | 2,393               | 593                 | 447                     | 1,536                     | 2,247                         | 7,216                        | 2,388                        | 1,662             | 11,266              | 12,216              |
| Conferences                          | 1,347               | 200                 | 138                     | 5,000                     | 7,008                         | 13,693                       | 125                          | 351               | 14,169              | 2,037               |
| Computer expenses                    | -                   | -                   | -                       | 620                       | 7,728                         | 8,348                        | 1,097                        | 1,323             | 10,768              | 7,796               |
| Miscellaneous                        | 1,679               | 1,343               | -                       | 41                        | 939                           | 4,002                        | 5,817                        | 718               | 10,537              | 30,926              |
| <b>Total functional expenses</b>     | <b>\$ 1,195,456</b> | <b>\$ 254,218</b>   | <b>\$ 197,359</b>       | <b>\$ 1,045,269</b>       | <b>\$ 1,654,020</b>           | <b>\$ 4,346,322</b>          | <b>\$ 713,579</b>            | <b>\$ 835,608</b> | <b>\$ 5,895,509</b> | <b>\$ 2,895,912</b> |

The accompanying notes are an integral part of these financial statements.

CENTER FOR YOUTH WELLNESS  
Statement of Cash Flows  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

|   | 2015         | 2014         |
|---|--------------|--------------|
| Cash flows from operating activities  |              |              |
| Change in net assets  | \$ 1,998,903 | \$ 3,970,916 |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used in) operating activities |              |              |
| Discount on grants and pledges receivable   | 82,850       | -            |
| Depreciation and amortization   | 173,666      | 161,074      |
| Changes in operating assets and liabilities   |              |              |
| Grants and pledges receivable   | (4,211,993)  | (2,450,238)  |
| Prepaid expenses and other assets   | (40,480)     | (17,447)     |
| Deposits  | (3,938)      | -            |
| Accounts payable  | 25,758       | (43,131)     |
| Accrued expenses  | 112,156      | (44,690)     |
| Net cash provided by (used in) operating activities   | (1,863,078)  | 1,576,484    |
| Cash flows from investing activities  |              |              |
| Purchases of property and equipment   | (119,052)    | (2,794)      |
| Net increase (decrease) in cash and cash equivalents  | (1,982,130)  | 1,573,690    |
| Cash and cash equivalents at beginning of period  | 2,982,796    | 1,409,106    |
| Cash and cash equivalents at end of period  | \$ 1,000,666 | \$ 2,982,796 |

The accompanying notes are an integral part of these financial statements.



# CENTER FOR YOUTH WELLNESS

## Notes to Financial Statements

December 31, 2015

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### 1. Organization and Nature of Activities

#### Organization

Center for Youth Wellness ("CYW") was founded to improve the health of children and adolescents exposed to Adverse Childhood Experiences ("ACE's"). Based in San Francisco, CYW is part of a national effort to revolutionize pediatric medicine and spark a public health discourse on impacts of ACEs and how society recognizes, treats, and responds.

#### Programs

Clinical - CYW's Clinical Programs develop and deliver novel screening and treatment protocols and approaches for healing youth and families affected by toxic stress.

Research - CYW's Research Program investigates and evaluates best practices for measuring and treating toxic stress in children and youth.

Policy - CYW's Policy Program provides insights to inform local, regional and national policy conversations about toxic stress and change pediatric practice.

Community Education and Engagement - CYW's Community Engagement efforts work to educate and engage organizations and the general public about ACEs and toxic stress.

### 2. Summary of Significant Accounting Policies

#### Basis of presentation

The financial statements of CYW are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America specific to nonprofit organizations. CYW's activities and net assets are classified as unrestricted, temporarily restricted and permanently restricted according to the terms of the various contributions, grants and bequests and donors' wishes or interests.

#### *Unrestricted net assets*

Unrestricted net assets consist of all resources that have not been restricted by a donor and are available to support CYW's activities.

CENTER FOR YOUTH WELLNESS  
Notes to Financial Statements  
December 31, 2015

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2. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

*Temporarily restricted net assets*

Temporarily restricted net assets represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of CYW according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted net assets. This occurs by increasing one class of net assets and decreasing another in the statement of activities. These transactions are reported as net assets released from restrictions and are reported separately from other transactions.

*Permanently restricted net assets*

Permanently restricted net assets consist of assets the use of which has been restricted for investment in perpetuity as donor-restricted endowments.

Cash

Cash consists of all cash on hand and all demand deposits maintained at banking institutions. CYW maintains cash balances at institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, cash balances may exceed this limit. CYW has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash deposits.

Grants and pledges receivable

Grants and pledges receivable represent unconditional promises to contribute specified amounts to CYW in the future. The grants and pledges are recognized as donations when made or the grant agreement is executed. Grants and pledges to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these grants and pledges is computed using risk adjusted market interest rates applicable to the year in which the promise was received. Amortization of the discount is recorded as additional grants and donation revenue in accordance with donor-imposed restrictions, if any, on the contributions. The discount rate used for grants and pledges existing at December 31, 2015 was 1.31%.

Grants and pledges received are measured at their fair value and reported as an increase in net assets. The valuation of donated services and supplies was determined based upon fair value of services and of supplies. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction is satisfied, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restriction.

CENTER FOR YOUTH WELLNESS

Notes to Financial Statements

December 31, 2015

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2. Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts

CYW maintains an allowance for uncollectible grants and pledges receivable based upon management's judgment including such factors as prior collection history, aging statistics of pledges and grants, and the nature of the receivable. The estimates may differ from actual results. At December 31, 2015, management has determined that no allowance for uncollectible grants and pledges was required.

Property and equipment

Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvement. The Organization performs a review of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. CYW capitalizes property and equipment if cost equals or exceeds \$2,000.

Revenue recognition

Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If revenue is subject to donor-restrictions it is included in temporary restricted net assets and once restrictions are met release from restrictions is recorded and revenue released to unrestricted. Expenses are reported as decreases in unrestricted net assets.

Contributions of cash and other assets are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as amounts released from restrictions. The Organization has no permanently restricted net assets at December 31, 2015.

Donor-restricted contributions, whose restrictions are met in the same reporting period as the contributions, are included as temporarily restricted contributions and net assets released from restrictions in that period.

Functional allocation of expenses

CYW's costs of providing the various programs and other activities have been summarized on a functional basis by department. Direct costs associated with specific programs are recorded as program expenses. Program expenses may include allocable management and general and fundraising expenses. Allocations of management and general and fundraising expenses are made to the various CYW activities based upon employee service hours and program utilization. During 2015, management included additional expense categories on the statement of functional expenses. Reclassifications were made to the 2014 information to conform to the 2015 presentation.

CENTER FOR YOUTH WELLNESS  
Notes to Financial Statements  
December 31, 2015

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2. Summary of Significant Accounting Policies (continued)

Income taxes

CYW is a tax-exempt, nonprofit corporation under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Taxation Code. Continuance of such exemption is subject to compliance with regulations and review of the activities by taxing authorities. CYW is not aware of any transactions that would affect its tax-exempt status.

CYW follows the accounting guidance for uncertain tax positions. Management determined that there are no uncertain positions as of December 31, 2015. CYW is currently not subject to examination by taxing authorities for the years before 2011, the year in which operations commenced. CYW does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. CYW recognizes interest and/or penalties related to income tax matters in income tax expense. CYW did not have any amounts accrued for interest and penalties at December 31, 2015.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accrual for accounts payable and other accrued liabilities are particularly subject to change.

Summarized comparative information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with CYW's financial statements as of and for the year ended December 31, 2014, from which the summarized comparative information was derived. Certain reclassifications have been made to the prior year information to conform to the current year presentation.

Subsequent events

CYW has evaluated subsequent events for recognition and disclosure through March 3, 2016, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of CYW's financial statements.

CENTER FOR YOUTH WELLNESS  
Notes to Financial Statements  
December 31, 2015

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3. Grants and Pledges Receivable

Grants and pledges receivable are due as follows at December 31, 2015:

|   |                    |
|---|--------------------|
| Amounts due in less than one year           | \$5,417,112        |
| Amounts due in one to five years            | <u>3,220,465</u>   |
|   | 8,637,577          |
| Less discount on long-term promises to give | <u>(82,850)</u>    |
| Total grants and pledges receivable         | <u>\$8,554,727</u> |

4. Property and Equipment, Net

Property and equipment at December 31, 2015 consisted of the following:

|  |                   |
|--|-------------------|
| Leasehold improvements                         | \$1,017,116       |
| Furniture and equipment                        | 184,117           |
| Software                                       | <u>168,905</u>    |
| Total  | 1,370,138         |
| Less accumulated depreciation and amortization | <u>(370,382)</u>  |
| Total property and equipment, net              | <u>\$ 999,756</u> |

Depreciation and amortization expense amounted to \$173,666 during the year ended December 31, 2015.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consist of the following:

|  |                    |
|--|--------------------|
| Purpose restrictions                     |                    |
| Clinical services                        | \$2,026,895        |
| Research, organization and learning data | 4,478,610          |
| Policy, advocacy and communications      | 1,348,317          |
| Health education and training            | <u>320,460</u>     |
| Total purpose restrictions               | 8,174,282          |
| Time restrictions                        |                    |
| 2016                                     | 300,000            |
| 2017                                     | 200,000            |
| 2018                                     | <u>200,000</u>     |
| Total time restrictions                  | <u>700,000</u>     |
| Total temporarily restricted net assets  | <u>\$8,874,282</u> |

CENTER FOR YOUTH WELLNESS  
Notes to Financial Statements  
December 31, 2015

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5. Temporarily Restricted Net Assets (continued)

During the year ended December 31, 2015, temporarily restricted net assets were released from donor restrictions by satisfying purpose or time restrictions specified by donors as follow:

|  |                    |
|--|--------------------|
| Purpose restrictions accomplished        |                    |
| Clinical services                        | \$1,910,877        |
| Research, organization and learning data | 893,593            |
| Policy, advocacy and communications      | 944,865            |
| Health education and training            | 204,083            |
| Time restriction expired                 | <u>50,000</u>      |
| Total released from restrictions         | <u>\$4,003,418</u> |

6. Donated Services and Goods

The value of donated services and goods included in the accompanying financial statements during the year ended December 31, 2015, are as follows:

|                                  |                  |
|----------------------------------|------------------|
| Professional health services     | \$210,693        |
| Supplies and materials           | <u>202</u>       |
| Total donated services and goods | <u>\$210,895</u> |

Donated services and goods are included in professional services and legal fees and office expense on CYW's statement of functional expenses with a corresponding offset to support and revenues from donated services and goods.

7. Retirement Plan

On January 1, 2014, CYW established a retirement plan adopted under the Internal Revenue Code Section 401(k) and covering substantially all eligible employees. CWY may make discretionary contributions to the Plan. CWY did not make any such contributions during the year ended December 31, 2015.

8. Commitments and Contingencies

Concentrations

Approximately 70% of net grants and pledges receivable are comprised of amounts from two donors as of December 31, 2015. Approximately 63% of total support and revenue is comprised of amounts from one donor for the year ended December 31, 2015.

CENTER FOR YOUTH WELLNESS  
Notes to Financial Statements  
December 31, 2015

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8. Commitments and Contingencies (continued)

Operating leases

CYW leases commercial space under certain non-cancellable operating lease agreements which expire in varying dates through March 2023. Rent expense paid during the year ended December 31, 2015 was \$147,412.

As of December 31, 2015, CYW's future minimum lease payments are as follows:

| <u>Years Ending December 31,</u>   |                  |
|------------------------------------|------------------|
| 2016                               | \$172,134        |
| 2017                               | 128,634          |
| 2018                               | 128,634          |
| 2019                               | 128,634          |
| 2020                               | 128,356          |
| Thereafter                         | <u>281,380</u>   |
| Total minimum future rent payments | <u>\$967,772</u> |