

Center for Youth Wellness

Financial Statements

December 31, 2016
(With Comparative Totals for 2015)



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Center for Youth Wellness (a California nonprofit corporation) (the "CYW"), which comprise the statement of financial position as of December 31, 2016, 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 (the "U.S."); 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 U.S. 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, 2016, 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 U.S.

Report on Summarized Comparative Information

We have previously audited Center for Youth Wellness's 2015 financial statements, and our report dated March 3, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

April 18, 2017

Center for Youth Wellness
Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,762,925	\$ 1,000,666
Grants and pledges receivable, current portion	1,738,446	5,499,962
Prepaid expenses and other assets	46,110	69,924
Total current assets	4,547,481	6,570,552
Noncurrent assets		
Grants and pledges receivable, net of discount and current portion	3,282,210	3,054,765
Deposits	9,375	3,938
Property and equipment, net	835,981	999,756
Total noncurrent assets	4,127,566	4,058,459
Total assets	\$ 8,675,047	\$ 10,629,011
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 109,578	\$ 45,088
Accrued expenses	200,444	216,165
Total current liabilities	310,022	261,253
Net assets		
Unrestricted	2,061,605	1,493,476
Temporarily restricted	6,303,420	8,874,282
Total net assets	8,365,025	10,367,758
Total liabilities and net assets	\$ 8,675,047	\$ 10,629,011

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

Center for Youth Wellness
Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues, gains and other support				
Foundation grants	\$ 1,467,270	\$ 2,229,820	\$ 3,697,090	\$ 6,797,979
Individual donations	578,911	-	578,911	842,414
Donated services and goods	142,223	-	142,223	210,895
Event revenue and other	169,138	-	169,138	43,124
Net assets released from restriction	<u>4,800,682</u>	<u>(4,800,682)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>7,158,224</u>	<u>(2,570,862)</u>	<u>4,587,362</u>	<u>7,894,412</u>
Functional expenses				
Program services	4,779,283	-	4,779,283	4,346,322
Fundraising	681,822	-	681,822	713,579
Management and general	<u>1,128,990</u>	<u>-</u>	<u>1,128,990</u>	<u>835,608</u>
Total functional expenses	<u>6,590,095</u>	<u>-</u>	<u>6,590,095</u>	<u>5,895,509</u>
Change in net assets	568,129	(2,570,862)	(2,002,733)	1,998,903
Net assets, beginning of year	<u>1,493,476</u>	<u>8,874,282</u>	<u>10,367,758</u>	<u>8,368,855</u>
Net assets, end of year	<u>\$ 2,061,605</u>	<u>\$ 6,303,420</u>	<u>\$ 8,365,025</u>	<u>\$ 10,367,758</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, 2016
(With Comparative Totals for 2015)

	Program Services			Support Services			2016 Total	2015 Total
	Clinical	Policy and Advocacy	Research and Evaluation	Total Program Services	Fundraising	Management and General		
Personnel expenses	\$ 1,000,913	\$ 507,937	\$ 602,247	\$ 2,111,097	\$ 521,134	\$ 842,812	\$ 3,475,043	\$ 3,311,051
Program expenses	226,944	465,715	1,323,174	2,015,833	22,219	6,986	2,045,038	1,442,828
Professional fees	114,536	37,603	26,678	178,817	46,183	94,505	319,505	443,825
Interest expense	5,020	2,658	2,721	10,399	2,879	5,504	18,782	17,494
Supplies	24,901	9,490	32,965	67,356	12,983	35,647	115,986	56,047
Telephone	18,176	5,852	7,557	31,585	5,815	7,693	45,093	32,153
Postage and shipping	450	148	128	726	99	327	1,152	4,305
Occupancy	70,134	27,641	37,232	135,007	28,003	58,690	221,700	174,632
Maintenance and repairs	372	66	137	575	83	562	1,220	-
Conferences, conventions and meetings	18,890	23,889	21,909	64,688	2,877	31,203	98,768	147,325
Printing and publications	2,323	1,536	1,996	5,855	6,115	1,026	12,996	28,950
Dues and subscriptions	3,667	1,714	8,139	13,520	1,580	1,652	16,752	34,631
Depreciation	65,645	25,899	36,082	127,626	27,070	31,801	186,497	173,666
Miscellaneous	8,977	3,363	3,859	16,199	4,782	10,582	31,563	28,602
	<u>\$ 1,560,948</u>	<u>\$ 1,113,511</u>	<u>\$ 2,104,824</u>	<u>\$ 4,779,283</u>	<u>\$ 681,822</u>	<u>\$ 1,128,990</u>	<u>\$ 6,590,095</u>	<u>\$ 5,895,509</u>

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, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (2,002,733)	\$ 1,998,903
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Discount on grants and pledges receivable	45,580	82,850
Depreciation and amortization	186,497	173,666
Changes in operating assets and liabilities		
Grants and pledges receivable	3,488,491	(4,211,993)
Prepaid expenses and other assets	23,814	(40,480)
Deposits	(5,437)	(3,938)
Accounts payable	64,490	25,758
Accrued expenses	(15,721)	112,156
Net cash provided by (used in) operating activities	1,784,981	(1,863,078)
Cash flows from investing activities		
Purchases of property and equipment	(22,722)	(119,052)
Net cash used in investing activities	(22,722)	(119,052)
Net increase (decrease) in cash and cash equivalents	1,762,259	(1,982,130)
Cash and cash equivalents, beginning of year	1,000,666	2,982,796
Cash and cash equivalents, end of year	\$ 2,762,925	\$ 1,000,666

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

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

1. NATURE OF OPERATIONS

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement 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* - consist of all resources that have not been restricted by a donor and are available to support CYW's activities.
- *Temporarily restricted net assets* - consist of 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* - consist of assets the use of which has been restricted for investment in perpetuity as donor-restricted endowments.

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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, 2016 was 1.47%.

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.

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, 2016, 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.

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016.

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 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 2016, management included additional expense categories on the statement of functional expenses. Reclassifications were made to the 2015 information to conform to the 2016 presentation.

Income tax status

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, 2016. 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, 2016.

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent events

CYW has evaluated subsequent events for recognition and disclosure through April 18, 2017, 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.

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, 2015, 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.

3. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of the following:

Amounts due in less than one year	\$ 1,738,446
Amounts due in one to five years	<u>3,327,790</u>
	5,066,236
Less discount on long-term promises to give	<u>(45,580)</u>
	<u>\$ 5,020,656</u>

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 1,017,116
Furniture and fixtures	198,904
Software	<u>176,840</u>
	1,392,860
Accumulated depreciation	<u>(556,879)</u>
	<u><u>\$ 835,981</u></u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Purpose restrictions	
Clinical services	\$ 926,515
Research, organization and learning data	3,789,717
Policy, advocacy and communications	777,644
Health education and training	<u>84,544</u>
Total purpose restrictions	5,578,420
Time restrictions	
2017	\$ 425,000
2018	<u>300,000</u>
Total time restrictions	<u>725,000</u>
	<u><u>\$ 6,303,420</u></u>

Temporarily restricted net assets released from restriction during the year were as follows:

Clinical services	\$ 1,391,305
Research, organization and learning data	2,667,645
Policy, advocacy and communications	216,732
Time restriction expired	<u>525,000</u>
	<u><u>\$ 4,800,682</u></u>

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

6. DONATED SERVICES AND GOODS

Donated materials and services during the year were valued as follows:

Professional services	\$ 126,664
Use of facilities	12,943
Supplies and materials	<u>2,616</u>
	<u>\$ 142,223</u>

Donated services and goods are included in professional fees and occupancy 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. CYW may make discretionary contributions to the Plan. CYW did not make any such contributions during the year ended December 31, 2016.

8. COMMITMENTS AND CONTINGENCIES

Concentrations

Approximately 67% of net grants and pledges receivable are comprised of amounts from two donors as of December 31, 2016. Approximately 23% of total support and revenue is comprised of amounts from one donor for the year ended December 31, 2016.

Operating leases

CYW leases commercial space under certain non-cancellable operating lease agreements which expire in varying dates through April 2021. Rent expense paid during the year ended December 31, 2016 was \$118,823.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2017	\$ 65,332
2018	104,162
2019	117,105
2020	113,827
2021	<u>37,843</u>
	<u>\$ 438,269</u>

Center for Youth Wellness
Notes to Financial Statements
December 31, 2016

9. LINE OF CREDIT

CYW entered into a business loan agreement on April 12, 2016. The maximum principal amount available under the line is \$250,000. CYW pays interest under this line at a variable rate. The line of credit expires on April 12, 2017. Borrowings are secured by a first priority interest on all unencumbered assets of CYW and is guaranteed by CYW. There was no outstanding balance on the line of credit as of December 31, 2016. CYW is required to comply with certain financial and reporting covenants. CYW was in compliance with the covenants at December 31, 2016