

**Center for Youth Wellness**

Financial Statements

December 31, 2017  
(With Comparative Totals for 2016)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



## 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, 2017, 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, 2017, 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

We have previously audited Center for Youth Wellness's 2016 financial statements, and our report dated April 18, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

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

May 3, 2018

Center for Youth Wellness  
Statement of Financial Position  
December 31, 2017  
(With Comparative Totals for 2016)

	2017	2016
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 3,238,120	\$ 2,762,925
Grants and pledges receivable, current portion	2,368,522	1,738,446
Prepaid expenses and other assets	143,991	46,110
Total current assets	5,750,633	4,547,481
Noncurrent assets		
Grants and pledges receivable, net of current portion	-	3,282,210
Deposits	9,375	9,375
Property and equipment, net	681,395	835,981
Total noncurrent assets	690,770	4,127,566
Total assets	\$ 6,441,403	\$ 8,675,047
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 619,730	\$ 109,578
Accrued expenses	356,278	200,444
Other current liabilities	6,110	-
Total current liabilities	982,118	310,022
Net assets		
Unrestricted	2,027,269	2,061,605
Temporarily restricted	3,432,016	6,303,420
Total net assets	5,459,285	8,365,025
Total liabilities and net assets	\$ 6,441,403	\$ 8,675,047

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

Center for Youth Wellness  
Statement of Activities  
For the Year Ended December 31, 2017  
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues, gains and other support				
Foundation grants	\$ 725,780	\$ 2,182,000	\$ 2,907,780	\$ 3,697,090
Individual donations	383,780	-	383,780	578,911
Donated services and goods	236,139	-	236,139	142,223
Event revenue and other	87,333	-	87,333	169,138
Net assets released from restriction	<u>5,053,404</u>	<u>(5,053,404)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>6,486,436</u>	<u>(2,871,404)</u>	<u>3,615,032</u>	<u>4,587,362</u>
Functional expenses				
Program services	4,532,189	-	4,532,189	4,779,283
Management and general	1,317,388	-	1,317,388	1,128,990
Fundraising	<u>671,195</u>	<u>-</u>	<u>671,195</u>	<u>681,822</u>
Total functional expenses	<u>6,520,772</u>	<u>-</u>	<u>6,520,772</u>	<u>6,590,095</u>
Change in net assets	(34,336)	(2,871,404)	(2,905,740)	(2,002,733)
Net assets, beginning of year	<u>2,061,605</u>	<u>6,303,420</u>	<u>8,365,025</u>	<u>10,367,758</u>
Net assets, end of year	<u>\$ 2,027,269</u>	<u>\$ 3,432,016</u>	<u>\$ 5,459,285</u>	<u>\$ 8,365,025</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, 2017  
(With Comparative Totals for 2016)

	Program Services				Support Services		2017 Total	2016 Total
	Clinical	Movement Building	Research and Evaluation	Total Program Services	Management and General	Fundraising		
Personnel expenses	\$ 793,132	\$ 739,629	\$ 468,136	\$ 2,000,897	\$ 779,457	\$ 464,628	\$ 3,244,982	\$ 3,475,043
Program expenses	165,822	575,563	776,074	1,517,459	15,553	9,338	1,542,350	2,045,038
Professional fees	145,828	282,443	74,694	502,965	275,209	117,145	895,319	319,505
Interest expense	3,142	2,019	1,722	6,883	3,691	2,143	12,717	18,782
Supplies	72,647	8,024	23,834	104,505	45,980	16,534	167,019	115,986
Telephone	12,539	8,138	6,902	27,579	6,204	5,034	38,817	45,093
Postage and shipping	579	342	299	1,220	2,935	246	4,401	1,152
Occupancy	62,053	40,117	34,335	136,505	72,310	24,517	233,332	221,700
Maintenance and repairs	417	307	232	956	238	162	1,356	1,220
Conferences, conventions and meetings	12,719	31,845	38,873	83,437	68,857	3,690	155,984	98,768
Printing and publications	1,835	2,288	1,247	5,370	1,736	1,373	8,479	12,996
Dues and subscriptions	746	1,490	2,612	4,848	6,926	1,298	13,072	16,752
Depreciation and amortization	54,106	35,250	29,888	119,244	25,503	21,446	166,193	186,497
Miscellaneous	9,047	5,797	5,477	20,321	12,789	3,641	36,751	31,563
	<u>\$ 1,334,612</u>	<u>\$ 1,733,252</u>	<u>\$ 1,464,325</u>	<u>\$ 4,532,189</u>	<u>\$ 1,317,388</u>	<u>\$ 671,195</u>	<u>\$ 6,520,772</u>	<u>\$ 6,590,095</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, 2017  
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (2,905,740)	\$ (2,002,733)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Discount on grants and pledges receivable	-	45,580
Depreciation and amortization	166,193	186,497
Changes in operating assets and liabilities		
Grants and pledges receivable	2,652,134	3,488,491
Prepaid expenses and other assets	(97,881)	23,814
Deposits	-	(5,437)
Accounts payable	510,152	64,490
Accrued expenses	155,834	(15,721)
Other current liabilities	6,110	-
Net cash provided by operating activities	486,802	1,784,981
Cash flows from investing activities		
Purchases of property and equipment	(11,607)	(22,722)
Net cash used in investing activities	(11,607)	(22,722)
Net increase in cash and cash equivalents	475,195	1,762,259
Cash and cash equivalents, beginning of year	2,762,925	1,000,666
Cash and cash equivalents, end of year	\$ 3,238,120	\$ 2,762,925

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



Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2017

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 advances pediatric clinical practice for the early detection and treatment of the impact of ACEs and toxic stress in partnership with the Bayview Child Health Center (BCHC).

Research - CYW's Research Program investigates, evaluates and translates scientific evidence and innovative approaches for measuring and treating the effects of exposure to childhood adversity and toxic stress on children's health.

Movement Building - CYW's Movement Building Program helps raise public awareness and policy conversations around the issue of ACEs and toxic stress as a public health crisis and supports the transformation of pediatric practice through integration of ACEs screening.

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, 2017

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

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. At December 31, 2017, CYW had no grants or pledges to be received after one year.

Grants and pledges received are measured at their fair value and reported as an increase in net assets. 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, 2017, 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, 2017

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 temporarily restricted net assets and once restrictions are met, release from restrictions is recorded and revenue is 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, 2017.

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.

Non-cash donations are recorded as contributions at the fair value of the gift at the date of the donation. Contribution revenue and a related expense is recorded for donated services at the fair value of those services if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise need to be purchased if not donated.

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 2017, management included an additional expense category on the statement of functional expenses.

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.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

CYW follows the accounting guidance for uncertain tax positions. Management determined that there are no uncertain positions as of December 31, 2017. 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, 2017.

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.

Subsequent events

CYW has evaluated subsequent events for recognition and disclosure through May 3, 2018, 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, 2016, from which the summarized comparative information was derived.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 1,017,116
Furniture and fixtures	198,904
Software	<u>188,447</u>
	1,404,467
Accumulated depreciation and amortization	<u>(723,072)</u>
	<u>\$ 681,395</u>

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2017

3. PROPERTY AND EQUIPMENT (continued)

Depreciation and amortization expense was \$166,193 for the year ended December 31, 2017.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Purpose restrictions	
Research, organization and learning data	\$ 1,600,970
Policy, advocacy and communications	45,000
Health education and training	<u>1,349,046</u>
Total purpose restrictions	<u>2,995,016</u>
Time restrictions	
2018	337,000
2019	<u>100,000</u>
Total time restrictions	<u>437,000</u>
	<u>\$ 3,432,016</u>

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

Clinical services	\$ 926,515
Research, organization and learning data	1,988,747
Policy, advocacy and communications	127,644
Health education and training	530,498
Time restrictions expired	<u>1,480,000</u>
	<u>\$ 5,053,404</u>

5. DONATED SERVICES AND GOODS

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

Professional services	\$ 184,366
Use of facilities	<u>51,773</u>
	<u>\$ 236,139</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.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2017

6. 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, 2017.

7. COMMITMENTS AND CONTINGENCIES

Concentrations

Approximately 76% of net grants and pledges receivable are comprised of amounts from four donors as of December 31, 2017. Approximately 46% of total support and revenue is comprised of amounts from two donors for the year ended December 31, 2017.

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, 2017 was \$87,000.

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

Year ending December 31,

2018	\$ 124,762
2019	137,705
2020	134,427
2021	<u>44,710</u>
	<u>\$ 441,604</u>

8. 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, 2018. In March 2018, CYW extended the loan agreement to April 12, 2019. 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, 2017. CYW is required to comply with certain financial and reporting covenants, and was in compliance with the covenants at December 31, 2017.