

**Center for Youth Wellness**

Financial Statements

December 31, 2018  
(With Comparative Totals for 2017)



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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) ("CYW"), which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, CYW has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Center for Youth Wellness's 2017 financial statements, and our report dated May 3, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2018 financial statements, we also audited the adjustments to the 2017 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



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

May 15, 2019

Center for Youth Wellness  
Statement of Financial Position  
December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash	\$ 2,380,010	\$ 3,238,120
Grants and pledges receivable	1,363,538	2,368,522
Prepaid expenses and other assets	<u>100,904</u>	<u>143,991</u>
Total current assets	<u>3,844,452</u>	<u>5,750,633</u>
Noncurrent assets		
Deposits	9,375	9,375
Property and equipment, net	<u>594,685</u>	<u>681,395</u>
Total noncurrent assets	<u>604,060</u>	<u>690,770</u>
 Total assets	 <u>\$ 4,448,512</u>	 <u>\$ 6,441,403</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 205,151	\$ 619,730
Accrued expenses	649,549	356,278
Other current liabilities	<u>8,123</u>	<u>6,110</u>
Total current liabilities	<u>862,823</u>	<u>982,118</u>
Net assets		
Without donor restrictions	2,049,168	2,027,269
With donor restrictions	<u>1,536,521</u>	<u>3,432,016</u>
Total net assets	<u>3,585,689</u>	<u>5,459,285</u>
 Total liabilities and net assets	 <u>\$ 4,448,512</u>	 <u>\$ 6,441,403</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, 2018  
(With Comparative Totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues, gains and other support				
Foundation grants	\$ 1,102,624	\$ 4,975,000	\$ 6,077,624	\$ 2,907,780
Individual and corporate donations	932,065	-	932,065	383,780
Donated services and goods	59,558	-	59,558	236,139
Event revenue and other	644,039	-	644,039	87,333
Net assets released from restriction	<u>6,870,495</u>	<u>(6,870,495)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>9,608,781</u>	<u>(1,895,495)</u>	<u>7,713,286</u>	<u>3,615,032</u>
Functional expenses				
Program services	6,712,011	-	6,712,011	4,532,189
Management and general	2,033,018	-	2,033,018	1,317,388
Fundraising	<u>841,853</u>	<u>-</u>	<u>841,853</u>	<u>671,195</u>
Total functional expenses	<u>9,586,882</u>	<u>-</u>	<u>9,586,882</u>	<u>6,520,772</u>
Change in net assets	21,899	(1,895,495)	(1,873,596)	(2,905,740)
Net assets, beginning of year	<u>2,027,269</u>	<u>3,432,016</u>	<u>5,459,285</u>	<u>8,365,025</u>
Net assets, end of year	<u>\$ 2,049,168</u>	<u>\$ 1,536,521</u>	<u>\$ 3,585,689</u>	<u>\$ 5,459,285</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, 2018  
(With Comparative Totals for 2017)

	Program Services				Support Services		2018 Total	2017 Total
	Clinical	Movement Building	Research and Evaluation	Total Program Services	Management and General	Fundraising		
Personnel expenses	\$ 902,321	\$ 980,079	\$ 468,544	\$ 2,350,944	\$ 1,458,117	\$ 628,307	\$ 4,437,368	\$ 3,244,982
Program expenses	131,592	2,466,376	1,051,591	3,649,559	107,357	31,541	3,788,457	1,542,350
Professional fees	23,208	104,408	11,391	139,007	110,857	60,533	310,397	895,319
Banking fees	7,790	6,700	3,378	17,868	7,254	4,239	29,361	12,717
Supplies	89,840	48,455	25,630	163,925	68,118	26,919	258,962	167,019
Telephone	11,406	10,221	4,964	26,591	10,665	5,990	43,246	38,817
Postage and shipping	194	1,290	74	1,558	2,140	492	4,190	4,401
Occupancy	66,881	57,547	29,324	153,752	94,829	35,052	283,633	233,332
Maintenance and repairs	86	86	30	202	110	54	366	1,356
Conferences, conventions and meetings	23,053	34,113	18,632	75,798	106,031	15,751	197,580	155,984
Printing and publications	4,034	3,490	2,884	10,408	2,463	5,332	18,203	8,479
Dues and subscriptions	3,087	1,738	173	4,998	3,665	882	9,545	13,072
Depreciation and amortization	43,203	37,271	18,881	99,355	40,009	22,713	162,077	166,193
Miscellaneous	7,942	6,531	3,573	18,046	21,403	4,048	43,497	36,751
	<u>\$ 1,314,637</u>	<u>\$ 3,758,305</u>	<u>\$ 1,639,069</u>	<u>\$ 6,712,011</u>	<u>\$ 2,033,018</u>	<u>\$ 841,853</u>	<u>\$ 9,586,882</u>	<u>\$ 6,520,772</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, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,873,596)	\$ (2,905,740)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	162,077	166,193
Changes in operating assets and liabilities		
Grants and pledges receivable	1,004,984	2,652,134
Prepaid expenses and other assets	43,087	(97,881)
Accounts payable	(414,579)	510,152
Accrued expenses	293,271	155,834
Other current liabilities	2,013	6,110
Net cash provided by (used in) operating activities	(782,743)	486,802
Cash flows from investing activities		
Purchases of property and equipment	(75,367)	(11,607)
Net cash used in investing activities	(75,367)	(11,607)
Net increase (decrease) in cash	(858,110)	475,195
Cash, beginning of year	3,238,120	2,762,925
Cash, end of year	\$ 2,380,010	\$ 3,238,120

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



Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

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 ("ACEs"). 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 - 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).

Movement Building - 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.

Research and Evaluation - 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.

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. CYW's activities and net assets are classified based on the existence or absence of donor-imposed restrictions in two classes of net assets. A description of the two classes of net assets is as follows:

- *Net assets without donor restrictions* - represent the portion of expendable funds available to support operations that are not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - represent the portion of net assets whose use is limited by donor-imposed stipulations that may or will be met by actions of CYW and/or expire by passage of time.

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 up to the limit allowed by law. At times, cash balances may exceed the insured 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.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. At December 31, 2018, CYW had no grants or pledges to be received after one year.

Allowance for doubtful accounts

CYW maintains an allowance for uncollectible grants and pledges receivable based upon management's judgment including factors such 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, 2018, 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. CYW 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

Contributions of cash and other assets are reported as increases to net assets with donor restrictions if the contributions are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as amounts released from restrictions.

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.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2018. 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, 2018.

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 15, 2019, the date the financial statements were available to be issued.

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. Accordingly, such information should be read in conjunction with CYW's financial statements as of and for the year ended December 31, 2017, from which the summarized comparative information was derived.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 makes certain improvements to current reporting requirements, including the following:

- Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
- Enhancing disclosures about amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
- Enhancing disclosures about the composition of net assets with donor restrictions and how the restrictions affect the use of resources.
- Enhancing disclosures about the qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
- Reporting amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
- Enhancing disclosures on the methods used to allocate costs among program and support functions.
- Enhancing disclosures on underwater endowment funds.

The amendments have been applied on a retrospective basis to the summarized comparative information for 2018.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 1,025,364
Furniture and fixtures	246,636
Software	<u>207,833</u>
	1,479,833
Accumulated depreciation	<u>(885,148)</u>
	<u><u>\$ 594,685</u></u>

Depreciation and amortization expense was \$162,077 for the year ended December 31, 2018.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Purpose restrictions	
Movement Building	\$ 794,293
Research and Evaluation	<u>255,969</u>
Total purpose restrictions	<u>1,050,262</u>
Time restrictions	
2019	<u>486,259</u>
Total time restrictions	<u>486,259</u>
	<u><u>\$ 1,536,521</u></u>

Net assets with donor restrictions released from restriction during the year were as follows:

Clinical services	\$ 539,357
Movement Building	3,797,210
Research and Evaluation	1,696,928
Time restrictions expired	<u>837,000</u>
	<u><u>\$ 6,870,495</u></u>

5. DONATED SERVICES AND GOODS

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

Professional services	\$ 46,615
Use of facilities	<u>12,943</u>
	<u><u>\$ 59,558</u></u>

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

5. DONATED SERVICES AND GOODS (continued)

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.

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 (the "Plan"). CYW may make discretionary contributions to the Plan. CYW did not make any such contributions during the year ended December 31, 2018.

7. COMMITMENTS AND CONTINGENCIES

Concentrations

Approximately 58% of net grants and pledges receivable are comprised of amounts from one donor as of December 31, 2018. Approximately 62% of total support and revenue is comprised of amounts from one donor for the year ended December 31, 2018.

Operating leases

CYW leases commercial space under certain non-cancelable operating lease agreements which expire in varying dates through April 2021. Rent expense paid during the year ended December 31, 2018 was \$212,614.

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

Year ending December 31,

2019	\$ 142,105
2020	<u>298</u>
	<u>\$ 142,403</u>

8. LINE OF CREDIT

CYW entered into a business loan agreement on April 12, 2016 with First Republic Bank. 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 expired on April 12, 2019, at which point CYW extended the loan agreement to October 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, 2018. CYW is required to comply with certain financial and reporting covenants, and was waived by First Republic Bank to be in compliance with the covenants at December 31, 2018.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2018

9. LIQUIDITY AND FUNDS AVAILABLE

CYW has \$2,693,286 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$2,380,010 and pledges and grants receivable of \$1,363,538 as of December 31, 2018, less \$1,050,262 that has been donor restricted for specified uses. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. CYW has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$2,400,000.

CYW has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Note 8, CYW also has a committed line of credit in the amount of \$250,000, which CYW can draw upon in the event of an unanticipated liquidity need. The financial statements do not include any adjustments to reflect possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2018 to fund general expenditures and other obligations as they become due:

Financial assets		
Cash		\$ 2,380,010
Grants and pledges receivable		<u>1,363,538</u>
		<u>3,743,548</u>
Less: amounts unavailable for general expenditures within one year:		
Donor-imposed restrictions		<u>(1,050,262)</u>
		<u>(1,050,262)</u>
		<u>\$ 2,693,286</u>

10. RELATED PARTY TRANSACTIONS

CYW had grant revenue of \$200,000 from one Board member for the year ended December 31, 2018. CYW had no grant and pledges receivable from Board members as of December 31, 2018.

11. SUBSEQUENT EVENTS

In January 2019, Nadine Burke Harris, CYW's Founder and CEO, voluntarily terminated her employment with CYW to accept the position of Surgeon General for the State of California. CYW is in the process of reviewing the structure of the management team.