

**Center for Youth Wellness**

Financial Statements

December 31, 2020 and 2019



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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, during 2020 CYW entered into discussions surrounding an Asset Transfer Agreement, whereby CYW will effectively merge its operations into another organization. Our opinion is not modified with respect to that matter.

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

June 23, 2021

Center for Youth Wellness  
 Statements of Financial Position  
 December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash	\$ 925,350	\$ 697,353
Grants and pledges receivable	264,857	413,487
Prepaid expenses and other assets	15,124	74,600
Deposits	9,375	9,375
Property and equipment, net	536,701	627,268
Total assets	\$ 1,751,407	\$ 1,822,083
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 264,948	\$ 232,407
Accrued expenses	144,846	324,425
Total liabilities	409,794	556,832
Net assets		
Without donor restrictions	999,761	(82,170)
With donor restrictions	341,852	1,347,421
Total net assets	1,341,613	1,265,251
Total liabilities and net assets	\$ 1,751,407	\$ 1,822,083

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

Center for Youth Wellness  
Statements of Activities  
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Foundation grants	\$ 1,914,040	\$ 410,000	\$ 2,324,040	\$ 3,009,707	\$ 1,156,469	\$ 4,166,176
Individual and corporate donations	310,203	-	310,203	612,594	-	612,594
Government grants	723,800	-	723,800	-	-	-
Other revenue	160,275	-	160,275	333,081	-	333,081
Net assets released from restriction	1,415,569	(1,415,569)	-	1,345,569	(1,345,569)	-
Total revenues, gains and other support	<u>4,523,887</u>	<u>(1,005,569)</u>	<u>3,518,318</u>	<u>5,300,951</u>	<u>(189,100)</u>	<u>5,111,851</u>
Functional expenses						
Program services	1,768,490	-	1,768,490	3,906,339	-	3,906,339
Management and general	1,551,373	-	1,551,373	2,679,169	-	2,679,169
Fundraising	122,093	-	122,093	846,781	-	846,781
Total functional expenses	<u>3,441,956</u>	<u>-</u>	<u>3,441,956</u>	<u>7,432,289</u>	<u>-</u>	<u>7,432,289</u>
Change in net assets	1,081,931	(1,005,569)	76,362	(2,131,338)	(189,100)	(2,320,438)
Net assets (deficit), beginning of year	<u>(82,170)</u>	<u>1,347,421</u>	<u>1,265,251</u>	<u>2,049,168</u>	<u>1,536,521</u>	<u>3,585,689</u>
Net assets, end of year	<u>\$ 999,761</u>	<u>\$ 341,852</u>	<u>\$ 1,341,613</u>	<u>\$ (82,170)</u>	<u>\$ 1,347,421</u>	<u>\$ 1,265,251</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, 2020

	Program Services			Support Services		Total	
	Clinical	Movement Building	Research and Evaluation	Total Program Services	Management and General		Fundraising
Personnel expenses	\$ 794,966	\$ 312,675	\$ -	\$ 1,107,641	\$ 915,721	\$ 104,405	\$ 2,127,767
Program expenses	76,867	134,259	199,210	410,336	53,673	8,824	472,833
Professional fees	-	-	-	-	117,020	-	117,020
Banking fees	-	-	-	-	11,936	-	11,936
Supplies	38	31,589	-	31,627	112,082	222	143,931
Telephone	-	-	-	-	27,953	-	27,953
Postage and shipping	-	-	-	-	1,376	62	1,438
Occupancy	133,310	-	-	133,310	18,811	6,347	158,468
Conferences, conventions and meetings	-	35,522	-	35,522	54,233	390	90,145
Printing and publications	-	-	-	-	10,939	-	10,939
Dues and subscriptions	-	-	-	-	10,230	-	10,230
Depreciation and amortization	50,000	-	-	50,000	122,268	-	172,268
Miscellaneous	54	-	-	54	95,131	1,843	97,028
	<u>\$ 1,055,235</u>	<u>\$ 514,045</u>	<u>\$ 199,210</u>	<u>\$ 1,768,490</u>	<u>\$ 1,551,373</u>	<u>\$ 122,093</u>	<u>\$ 3,441,956</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, 2019

	Program Services			Support Services		Total	
	Clinical	Movement Building	Research and Evaluation	Total Program Services	Management and General		Fundraising
Personnel expenses	\$ 1,111,668	\$ 944,406	\$ 482,212	\$ 2,538,286	\$ 1,474,219	\$ 435,948	\$ 4,448,453
Program expenses	411,038	458,890	185	870,113	838,558	268,763	1,977,434
Professional fees	9,412	43,914	13,610	66,936	89,675	77,453	234,064
Interest expense	4,298	3,651	1,864	9,813	5,219	1,685	16,717
Supplies	-	54,760	-	54,760	24,857	-	79,617
Telephone	11,991	10,187	5,201	27,379	15,904	4,702	47,985
Postage and shipping	762	647	330	1,739	1,014	299	3,052
Occupancy	56,079	47,641	24,325	128,045	60,634	21,991	210,670
Repairs and maintenance	338	287	146	771	453	132	1,356
Conferences, conventions and meetings	28,691	24,374	12,445	65,510	38,053	11,251	114,814
Printing and publications	5,294	4,497	2,296	12,087	7,022	2,076	21,185
Dues and subscriptions	2,862	2,432	1,241	6,535	15,175	1,122	22,832
Depreciation and amortization	42,610	36,199	18,483	97,292	56,508	16,709	170,509
Miscellaneous	11,857	10,073	5,143	27,073	51,878	4,650	83,601
	<u>\$ 1,696,900</u>	<u>\$ 1,641,958</u>	<u>\$ 567,481</u>	<u>\$ 3,906,339</u>	<u>\$ 2,679,169</u>	<u>\$ 846,781</u>	<u>\$ 7,432,289</u>

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



Center for Youth Wellness  
 Statements of Cash Flows  
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 76,362	\$ (2,320,438)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	172,268	170,509
Changes in operating assets and liabilities		
Grants and pledges receivable	148,630	950,051
Prepaid expenses and other assets	59,476	26,304
Accounts payable	32,541	27,256
Other liabilities	-	(8,123)
Accrued expenses	(179,579)	(325,124)
Net cash provided by (used in) operating activities	309,698	(1,479,565)
Cash flows from investing activities		
Purchases of property and equipment	(81,701)	(203,092)
Net cash used in investing activities	(81,701)	(203,092)
Net increase (decrease) in cash	227,997	(1,682,657)
Cash, beginning of year	697,353	2,380,010
Cash, end of year	\$ 925,350	\$ 697,353

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

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

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.

Merger

During 2020, CYW entered into discussions surrounding an Asset Transfer Agreement (the "Agreement") with a California nonprofit corporation (the "Transferee"). Pursuant to the terms of the Agreement, CYW will transfer all assets to the Transferee and the Transferee will assume certain liabilities and obligations from CYW. The Transferee is also the landlord of a building that CYW leases and as part of the Agreement, the Transferee shall fully forgive the unpaid rent and other obligations. Upon the signing of the Agreement, the intent is for CYW's programs to be operated by the Transferee and for CYW to be a program of the Transferee. The transfer is scheduled to close on June 25, 2021 after certain conditions have been satisfied.

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.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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.

Changes in accounting principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenues from Contracts with Customers (Topic 606). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In effect, companies are required to exercise further judgment and make more estimates prospectively. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU No. 2014-09 was effective January 1, 2019 for CYW. CYW has evaluated the new guidance and determined that the adoption of ASU No. 2014-09 did not have a material impact on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. CYW adopted ASU 2018-08 with a date of the initial application of January 1, 2019, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on CYW's financial position, result of operations, or cash flows. CYW has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

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.

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, 2020 and 2019, CYW had no grants or pledges to be received after one year.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

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 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, 2020 and 2019, 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.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give - that is, those with a barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. CYW has evaluated its current tax positions and has concluded that as of December 31, 2020 and 2019, CYW does not have any significant tax positions for which a reserve would be necessary.

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 June 23, 2021, the date the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Leasehold improvements	\$ 1,050,345	\$ 1,050,345
Furniture and fixtures	246,423	246,423
Software	467,858	386,157
	1,764,626	1,682,925
Accumulated depreciation	(1,227,925)	(1,055,657)
	\$ 536,701	\$ 627,268

Depreciation and amortization expense was \$172,268 and \$170,509 for the years ended December 31, 2020 and 2019, respectively.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2020	2019
Clinical	\$ 246,604	\$ 191,440
Movement Building	-	315,621
Research and Evaluation	49,779	604,301
Time	45,469	236,059
	\$ 341,852	\$ 1,347,421

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

	2020	2019
Clinical	\$ 294,836	\$ 38,560
Movement Building	315,621	493,673
Research and Evaluation	554,522	559,667
Time restrictions expired	250,590	253,669
	\$ 1,415,569	\$ 1,345,569

5. 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 years ended December 31, 2020 and 2019.

6. COMMITMENTS AND CONTINGENCIES

Concentrations

Two donors contributed approximately 39% and 18% of total support and revenue for the year ended December 31, 2019. There was no concentration of support and revenue from any donors during the year ended December 31, 2020.

7. 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 October 12, 2019 and was not renewed.

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

8. PAYCHECK PROTECTION PROGRAM

On April 24, 2020, CYW received loan proceeds of \$723,800 from a promissory note issued by First Republic Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. CYW believes it has met the PPP's eligibility criteria and has concluded that the PPP loan represents, in substance, a grant that is expected to be forgiven, and accordingly has accounted for the PPP loan as a conditional contribution. Proceeds received under the PPP loan are recognized as revenue when CYW has incurred expenditures in compliance with the promissory note provisions and when the conditions have been substantially met. CYW recognized conditional grant revenue totaling \$723,800 during the year ended December 31, 2020 based on qualifying expenditures made under the PPP that are expected to be forgiven. The revenue from the PPP is presented as government grants on the statement of activities.

9. LIQUIDITY AND FUNDS AVAILABLE

CYW has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, CYW has cash and grants and pledges receivable.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2020 and 2019 to fund general expenditures and other obligations as they become due:

	2020	2019
Financial assets		
Cash	\$ 925,350	\$ 697,353
Grants and pledges receivable	<u>264,857</u>	<u>413,487</u>
	<u>1,190,207</u>	<u>1,110,840</u>
Less: amounts unavailable for general expenditures within one year:		
Donor-imposed purpose restrictions	<u>(121,383)</u>	<u>(1,111,362)</u>
	<u>(121,383)</u>	<u>(1,111,362)</u>
	<u>\$ 1,068,824</u>	<u>\$ (522)</u>

Center for Youth Wellness  
Notes to Financial Statements  
December 31, 2020 and 2019

10. RELATED PARTY TRANSACTIONS

CYW received contributions from board members of approximately \$49,000 and \$110,000 during the years ended December 31, 2020 and 2019, respectively.

11. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where CYW is headquartered. Potential impacts to CYW's operations include disruptions or restrictions on employees' ability to work and on CYW's ability to carry out its programs. CYW's donor base may also be affected in a variety of ways, potentially limiting the amount of contributions that might be received during this time. Any of the foregoing could harm CYW's operations and the ways in which health epidemics such as COVID-19 could adversely impact the business cannot be anticipated. Although CYW is continuing to monitor and assess the effects of the COVID-19 pandemic on their business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

12. SUBSEQUENT EVENTS

As discussed in Note 1, CYW entered into discussions surrounding an Asset Transfer Agreement with a California nonprofit corporation (the "Transferee") during 2020. During 2021, CYW continued the process of finalizing the Asset Transfer Agreement and the transfer is expected to close on June 25, 2021. Upon signing of the Asset Transfer Agreement, CYW will cease to exist as a legal entity and will become a program of the Transferee.

In May 2021, CYW received notification that the PPP loan was forgiven in full.