

HUCKLEBERRY YOUTH PROGRAMS, INC.

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE,
and
ADDITIONAL INFORMATION**

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Huckleberry Youth Programs, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Huckleberry Youth Programs, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 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; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Huckleberry Youth Programs, Inc. as of June 30, 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 United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Huckleberry Youth Programs, Inc. as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited Huckleberry Youth Programs, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, on our consideration of Huckleberry Youth Programs, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huckleberry Youth Programs, Inc. internal control over financial reporting and compliance.

Harrington Group

San Francisco, California

November 15, 2016

HUCKLEBERRY YOUTH PROGRAMS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With comparative totals at June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
ASSETS					
Cash and cash equivalents (Note 2)	\$ 337,766	\$ 648,136	\$ -	\$ 985,902	\$ 388,514
Accounts receivable - net of allowance of \$8,000	887,785			887,785	625,203
Pledges receivable (Note 3)		255,000		255,000	17,500
Prepaid expenses and deposits	87,001			87,001	66,452
Property and equipment, net (Note 4)	212,255		77,437	289,692	291,261
TOTAL ASSETS	\$ 1,524,807	\$ 903,136	\$ 77,437	\$ 2,505,380	\$ 1,388,930
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 176,807	\$ -	\$ -	\$ 176,807	\$ 111,942
Accrued liabilities (Note 5)	342,849			342,849	302,249
Accrued unemployment liability (Note 6)	30,000			30,000	30,000
TOTAL LIABILITIES	549,656	-	-	549,656	444,191
NET ASSETS					
Unrestricted	975,151			975,151	648,081
Temporarily restricted (Note 9)		903,136		903,136	219,221
Permanently restricted (Note 10)			77,437	77,437	77,437
TOTAL NET ASSETS	975,151	903,136	77,437	1,955,724	944,739
TOTAL LIABILITIES AND NET ASSETS	\$ 1,524,807	\$ 903,136	\$ 77,437	\$ 2,505,380	\$ 1,388,930

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

HUCKLEBERRY YOUTH PROGRAMS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT					
Program service fees (Note 11)	\$ 3,709,144	\$ -	\$ -	\$ 3,709,144	\$ 3,140,592
Contributions and grants	1,185,747	1,029,000		2,214,747	1,495,739
Special events, net of expenses of \$97,034	304,013			304,013	314,536
Other income	13,322			13,322	37,645
Rental income	7,200			7,200	7,200
Net assets released from purpose restrictions	345,085	(345,085)		-	-
TOTAL REVENUE AND SUPPORT	<u>5,564,511</u>	<u>683,915</u>	<u>-</u>	<u>6,248,426</u>	<u>4,995,712</u>
EXPENSES					
Program services	4,235,072			4,235,072	3,927,804
Management and general	469,700			469,700	590,224
Fundraising	532,669			532,669	599,551
TOTAL EXPENSES	<u>5,237,441</u>	<u>-</u>	<u>-</u>	<u>5,237,441</u>	<u>5,117,579</u>
CHANGE IN NET ASSETS	327,070	683,915		1,010,985	(121,867)
NET ASSETS, BEGINNING OF YEAR	<u>648,081</u>	<u>219,221</u>	<u>77,437</u>	<u>944,739</u>	<u>1,066,606</u>
NET ASSETS, END OF YEAR	<u>\$ 975,151</u>	<u>\$ 903,136</u>	<u>\$ 77,437</u>	<u>\$ 1,955,724</u>	<u>\$ 944,739</u>

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

HUCKLEBERRY YOUTH PROGRAMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	Program Services						Support Services			Total Expenses	
	Huckleberry House	Huckleberry Wellness Academies	Cole Street Youth Clinic	Community Assessment and Resource	Huckleberry Teen Health Program	Total Program Services	Management and General	Fundraising	Total	2016	2015
Salaries	\$ 604,297	\$ 362,264	\$ 512,987	\$ 528,864	\$ 336,954	\$ 2,345,366	\$ 273,039	\$ 328,677	\$ 601,716	\$ 2,947,082	\$ 3,124,556
Employee benefits	90,560	36,782	51,915	72,835	44,419	296,511	34,708	26,382	61,090	357,601	288,822
Payroll taxes	45,430	29,191	38,940	39,787	31,509	184,857	19,193	23,346	42,539	227,396	307,955
Total personnel costs	740,287	428,237	603,842	641,486	412,882	2,826,734	326,940	378,405	705,345	3,532,079	3,721,333
Subcontract payments			113,970	123,900	260,677	498,547			-	498,547	318,786
Occupancy		66,863	46,125	102,758	72,438	288,184	40,920	47,432	88,352	376,536	313,510
Consultants	5,721	48,605	8,143	14,936	37,400	114,805	12,734	44,241	56,975	171,780	168,603
AmeriCorps fee	28,000		14,000		28,000	70,000			-	70,000	28,177
Licenses and fees	8,686	2,579	7,183	4,522	7,572	30,542	15,584	4,354	19,938	50,480	45,740
Travel	45	4,642	14,330	20,687	3,647	43,351	2,881	1,446	4,327	47,678	39,788
Telephone	10,457	3,330	10,581	8,246	4,220	36,834	4,198	4,232	8,430	45,264	41,964
Depreciation	8,701	14	10,926	6,311	10,363	36,315	4,363	2,726	7,089	43,404	55,540
Utilities	10,224	4,707	9,072	144	4,910	29,057	4,979	5,716	10,695	39,752	37,225
Training and meetings	5,595	2,575	13,095	5,338	1,978	28,581	2,989	2,874	5,863	34,444	44,286
Equipment	8,293	4,718	7,272	8,513	1,311	30,107	725	287	1,012	31,119	20,278
Repair and maintenance	5,068	3,239	1,431	2,481	8,314	20,533	7,848	2,499	10,347	30,880	28,502
Supplies	4,024	3,283	7,724	2,531	3,196	20,758	3,678	4,971	8,649	29,407	38,606
Interns and stipends	1,000	17,664	7,895			26,559	2,140		2,140	28,699	42,692
Food	12,749	8,501	2,749	577	775	25,351			-	25,351	22,895
Professional fees						-	23,400		23,400	23,400	16,700
Miscellaneous	3,511	6,510	22,433	965	2,383	35,802	5,811	1,983	7,794	43,596	16,631
Insurance	4,068	3,874	2,837	3,446	2,585	16,810	1,262	1,233	2,495	19,305	17,612
Van expenses	3,955	2,517	4,555		3,174	14,201			-	14,201	11,472
Printing and duplications	613	250	3,985	563	255	5,666	101	8,328	8,429	14,095	15,778
Board of director expenses						-	5,932	7,550	13,482	13,482	13,350
Advertising and promotions	670	700	1,895	350	540	4,155	294	8,884	9,178	13,333	21,592
Equipment rental	2,933	1,281		2,933	1,701	8,848	1,503	1,864	3,367	12,215	15,731
Field trips and events		6,783				6,783			-	6,783	8,319
Education and recreation	360	338	4,593	928	207	6,426	255		255	6,681	2,609
Bad debt					4,893	4,893	239		239	5,132	29
Subscriptions and publications	1,446		831	827	728	3,832	728	331	1,059	4,891	2,119
Postage and shipping	77	181	107	199	239	803	196	3,313	3,509	4,312	4,571
Mentoring costs				595		595			-	595	3,141
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 866,483	\$ 621,391	\$ 919,574	\$ 953,236	\$ 874,388	\$ 4,235,072	\$ 469,700	\$ 532,669	\$ 1,002,369	\$ 5,237,441	
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 825,179	\$ 718,950	\$ 669,053	\$ 945,604	\$ 769,018	\$ 3,927,804	\$ 590,224	\$ 599,551	\$ 1,189,775		\$ 5,117,579

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

HUCKLEBERRY YOUTH PROGRAMS, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

With comparative totals for the year ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,010,985	\$ (121,867)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,404	55,540
(Increase) decrease in operating assets:		
Accounts receivable	(262,582)	37,592
Pledges receivable	(237,500)	174,590
Prepaid expenses and deposits	(20,549)	570
Increase (decrease) in operating liabilities:		
Accounts payable	64,865	(7,882)
Accrued liabilities	40,600	(1,462)
NET CASH PROVIDED BY OPERATING ACTIVITIES	639,223	137,081
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(41,835)	(2,715)
NET CASH (USED) BY INVESTING ACTIVITIES	(41,835)	(2,715)
NET INCREASE IN CASH AND CASH EQUIVALENTS	597,388	134,366
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	388,514	254,148
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 985,902	\$ 388,514

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

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Huckleberry Youth Programs, Inc. (“HYP”) is a California nonprofit public benefit corporation organized to provide services to adolescents, young adults, and their families in San Francisco and Marin counties. Founded on the belief that adolescence is a dynamic and challenging time of life, HYP’s mission is to educate, inspire, and support underserved youth to develop healthy life choices, to maximize their potential, and to realize their dreams.

The agency began in 1967 with the creation of **Huckleberry House**, the first adolescent crisis shelter in the country and the model for adolescent shelters funded since 1974 by the federal Runaway and Homeless Youth Act. Huckleberry House was developed as a community response to the large numbers of young people who came to San Francisco in the late 1960’s, some of whom were fleeing from very difficult situations and needed help on the road to becoming healthy, responsible adults.

Huckleberry House is a “first responder” to adolescents in crisis in San Francisco. The six-bed shelter operates a 24/7 crisis line and provides emergency services to over 270 homeless, runaway, and at-risk youth, ages 11-17, annually. Huckleberry House offers youth a safe place to stay and assistance with family reunification. All services are provided free of charge: emergency housing; case management; access to the Huckleberry Youth Health Center; three nutritious meals each day and healthy snacks; clothing and school supplies as needed; 24-hour supervision; monitoring of school attendance; health education on relevant topics; assistance with homework; and recreational, arts, and physical activities.

Young people at Huckleberry House – and at all other HYP programs – also have access to mental health counselors. Counselors provide adolescent assessment and individual therapy, comprehensive family assessments, family preservation counseling and family reunification therapy, and case management services to 150 youth, ages 11-21, and 80 families annually.

In addition to Huckleberry House, HYP operates four programs in San Francisco and Marin Counties. The **Huckleberry Youth Health Center** is the first full-time, community-based health center dedicated exclusively to teens and young adults in San Francisco. It is also the primary provider of health education workshops in San Francisco schools and after-school sites. Medical services, including primary and reproductive health care, are provided by caring peers and adults to over 3,500 youth annually.

Huckleberry’s Wellness Academy is a San Francisco/Marin community-based initiative preparing under-performing youth for college and careers in health care. The program recruits high-potential, under-performing, low-income youth – primarily youth of color – who are interested in health careers. Most will be the first in their families to go to college. The Huckleberry Wellness Academy provides academic assistance (including SAT/ACT preparation), health education training, college counseling, and wraparound support services. Most youth are placed in health care internships, including placement with HYP as Peer Health Educators.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

The **Huckleberry Teen Health Program (“HTHP”)** is the primary provider of health access, youth development and other support services for underserved youth in Marin County. Services include weekly teen clinics in San Rafael and Novato, health workshops offered in schools and community sites, individual and family counseling, and case management. The agency was recently selected by the County to provide prevention counseling to youth referred by the Marin County Juvenile Drug Court. Many of HTHP’s 2,500 clients served annually are from the Canal District of San Rafael. The primary ethnic group (70%) in the Canal is Latino, including recent immigrants from Mexico and Central America. The program is located across the street from San Rafael High School.

Huckleberry’s Community Assessment and Resource Center (“CARC”) is considered one of the most successful community-based Juvenile Justice diversion programs in the U.S. Managed by HYP for the City and County of San Francisco, CARC provides a single point of entry for crisis intervention, assessment, service integration, and rehabilitation for over 350 youth – about one third of the youth arrested annually in the county. CARC case managers have successfully worked with youth to reintegrate them into schools, arrange for special education services, obtain mental health services, complete community service and probation requirements, and engage the youth in positive social, arts, athletic, and youth development programs.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of HYP are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Temporarily Restricted. HYP reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit HYP to expend all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents

HYP has defined cash and cash equivalents as cash in banks and certificates of deposit with an original maturity of three months or less.

Accounts Receivable

HYP utilizes the allowance method with respect to its accounts receivable. The allowance represents an estimated amount of accounts receivable deemed potentially to be uncollectible.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Concentration of Credit Risks

HYP places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. HYP has not incurred losses related to these investments.

The receivable balance outstanding at June 30, 2016 consists primarily of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of HYP's receivables consist of earned fees from contract programs granted by governmental agencies.

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand five hundred dollars and the useful life is greater than one year.

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 that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and are recorded at fair value on a non-recurring basis in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value on a non-recurring basis in the period received.

A number of unpaid volunteers have made significant contributions of their time to HYP. However, the value of these services is not reflected in these statements because the criterion for recognition has not been satisfied.

Income Taxes

HYP is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by HYP in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. HYP's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

Costs of providing HYP's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. HYP uses direct costs and full-time equivalents to allocate indirect costs.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

HYP is required to measure pledged contributions at fair value. The specific techniques used to measure the fair value for this financial statement element is described in the notes below that relate to the element.

Comparative Totals

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HYP's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 15, 2016, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appears to require recognition or disclosure in the financial statements.

3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deemed pledges collectible, accordingly no allowance for doubtful accounts has been established for uncollectible pledge. Additionally, all pledges are valued at their estimated fair value at June 30, 2016. Discount pledges receivable is immaterial, accordingly unamortized discount on pledges receivables is not recorded. Total amount of pledges receivable at June 30, 2016, of \$255,000, is expected to be collected as follows:

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

3. Pledges Receivable, continued

<u>Year ended June 30,</u>	
2017	\$145,000
2018	<u>110,000</u>
	<u>\$255,000</u>

The fair value of current year new pledges in the amount of \$255,000 is measured on a non-recurring basis by estimating future cash flows, based on pledge commitments and previous experience and discounting the carrying amount to present value (Level 3 inputs).

4. Property and Equipment

Property and equipment at June 30, 2016 consist of the following:

Land	\$ 113,413
Buildings	150,338
Building improvements	327,540
Leasehold improvements	287,388
Equipment, furniture, and fixtures	229,622
Vehicles	<u>70,619</u>
	1,178,920
Less: accumulated depreciation	<u>(889,228)</u>
	<u>\$ 289,692</u>

5. Accrued Liabilities

Accrued liabilities at June 30, 2016 consist of the following:

Accrued vacation	\$171,957
Accrued salaries	118,062
Other accrued liabilities	<u>52,830</u>
	<u>\$342,849</u>

6. Accrued Unemployment Liability

HYP has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2016 of \$30,000 represents estimated future claims arising from payroll paid to June 30, 2016. Unemployment expense paid for the year ended June 30, 2016 was \$13,139.

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

7. Line of Credit

HYP has a line of credit in the amount of \$300,000, from a bank, secured by a deed of trust, with payments payable monthly on the outstanding balance, at an interest rate that varies from 6% to 18%, due November 2026. There was no outstanding balance on the line of credit at June 30, 2016.

8. Commitments and Contingencies

Obligations Under Operating Leases

HYP leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Year ended June 30,

2017	\$ 328,295
2018	294,427
2019	182,079
2020	131,568
2021	<u>123,432</u>
	<u>\$1,059,801</u>

Rent expense for facilities and equipment under operating leases for the year ended June 30, 2016 was \$388,751.

Contracts

HYP's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, HYP has no provisions for the possible disallowance of program costs on its financial statements.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of the following:

Health and Mental Health	\$255,879
Propel <i>Next</i>	220,000
Community Assessment and Referral Center	150,000
Huckleberry Wellness Academies	113,367
Bruce Fisher Fund	51,363
Huckleberry House	50,000
Information Technology	42,527
Teen Health Program	<u>20,000</u>
	<u>\$903,136</u>

For the year ended June 30, 2016, net assets released from purpose restrictions were \$345,085.

10. Permanently Restricted Net Assets and Endowment Funds

Permanently restricted net assets represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends therefrom may be expended for unrestricted purposes. At June 30, 2016, permanently restricted net assets were \$77,437.

Generally accepted accounting principles provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization and requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and Board-designated endowment funds).

HYP classifies as permanently restricted net assets, (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by HYP.

Permanently restricted net assets at June 30, 2016 consist of land in the amount of \$77,437.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

11. Program Service Fees

Program service fees for the year ended June 30, 2016 consist of the following:

Huckleberry House	\$ 886,900
Community Assessment and Resource Center	822,066
Huckleberry Teen Health Program	645,778
San Francisco Multi-service Center	444,167
Huckleberry's Cole Street Clinic	340,053
Emergency Response to Commercially Sexually Exploited Children	253,857
Huckleberry's Wellness Academies	179,948
Child Abuse Treatment Program	109,375
Other programs	<u>27,000</u>
	<u>\$3,709,144</u>

SUPPLEMENTAL SCHEDULE

HUCKLEBERRY YOUTH PROGRAMS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended June 30, 2016

Program Name	Contract Number	Federal CFDA No.	Contract Term	Program Award	Program Expenditures
Federal Award					
Department of Health and Human Services ("DHHS"):					
Directly from the U.S. Health and Human Services Basic Center Grant:					
Basic Center Grant: Runaway and Homeless Youth Grant Program	90CY6739-01-00	93.623	09/30/14 - 09/30/15	\$ 200,000	\$ 96,326
Basic Center Grant: Runaway and Homeless Youth Grant Program	90cCY6415-03-00	93.623	09/30/15 - 09/30/16	199,176	73,140
Sub-total direct from DHHS - Basic Center Grant				<u>399,176</u>	<u>169,466</u>
Pass-through, City and County of San Francisco:					
Foster Care; Title IV-E		93.658	07/01/15 - 06/30/16	289,603	63,464
Block Grants for Community Mental Health Services		93.958	07/01/15 - 06/30/16	135,875	43,030
Pass-through, County of Marin:					
Block Grants for Prevention and Treatment of Substance Abuse		93.959	07/01/15 - 06/30/16	128,995	68,421
Block Grants for Community Mental Health Services	14-5416	93.958	07/01/15 - 06/30/16	20,000	14,451
Pass-through, from California Family Health Council:					
Family Planning Services; Title X	5320-71272-15	93.217	01/01/15 - 06/30/16	23,250	18,174
Total DHHS				<u>996,899</u>	<u>377,006</u>
Department of Justice("DOJ"):					
Directly from DOJ Office on Violence Against Women					
Violence Against Women Formula Grant (a)	2015-CY-AX-0015	16.588	10/01/14 - 09/30/17	1,000,000	335,147
Pass-through, from California Governor's Office of Emergency Services					
Crime Victims Assistance	AT1501851	16.575	10/01/15 - 09/30/16	225,000	109,375
Total DOJ				<u>1,225,000</u>	<u>444,522</u>
Total Federal Awards				<u>\$ 2,221,899</u>	<u>\$ 821,528</u>

(a) Audited as a major program

Summary of Significant Accounting Policies:

1. Basis of Accounting - The Schedule of Expenditures of Federal Awards has been reported on the accrual basis of accounting.
2. HYP is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

ADDITIONAL INFORMATION



Harrington Group

Certified Public Accountants, LLP

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Huckleberry Youth Programs, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Huckleberry Youth Programs, Inc. ("HYP"), which comprise the Statement of Financial Position as of June 30, 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, and have issued our report dated November 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HYP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HYP's internal control. Accordingly, we do not express an opinion on the effectiveness of HYP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HYP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

San Francisco, California
November 15, 2016



Harrington Group

Certified Public Accountants, LLP

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Huckleberry Youth Programs, Inc.

Report on Compliance for Each Major Federal Program

We have audited Huckleberry Youth Programs, Inc. ("HYP") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HYP's major federal programs for the year ended June 30, 2016. HYP's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of HYP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HYP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of HYP's compliance.

Opinion on Each Major Federal Program

In our opinion, HYP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of HYP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HYP's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HYP's internal control over compliance.

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**
continued

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harrington Group

San Francisco, California
November 15, 2016

HUCKLEBERRY YOUTH PROGRAMS, INC.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

Department of Justice:

Violence Against Women Formula Grant 16.588

Section II – Financial Statements Findings

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal Awards as defined in the Uniform Guidance.

Section IV – Summary Schedule of Prior Year Findings

None.