



HUCKLEBERRY YOUTH PROGRAMS, INC.

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2019

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.403.6866

www.npocpas.com

OAKLAND
1901 Harrison Street
Suite 1150
Oakland, CA 94612
p: 510.379.1182

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-17
Additional Information:	
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 <i>Government Auditing Standards</i>	18-19

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, 2019, 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, 2019, 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 Matter

Report on Summarized Comparative Information

We have previously audited Huckleberry Youth Programs, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated, February 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 April 17, 2020, 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 solely 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 the effectiveness of Huckleberry Youth Programs, Inc.'s 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

Oakland, California

April 17, 2020

HUCKLEBERRY YOUTH PROGRAMS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With comparative totals at June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
ASSETS				
Cash and cash equivalents (Note 2)	\$ 160,727	\$ 234,455	\$ 395,182	\$ 573,961
Accounts receivable - net of allowance of \$1,568	1,248,945		1,248,945	1,074,431
Pledges receivable (Note 4)		222,500	222,500	387,985
Prepaid expenses and deposits	204,118		204,118	29,594
Property and equipment, net (Note 5)	162,669	77,437	240,106	240,638
TOTAL ASSETS	<u>\$ 1,776,459</u>	<u>\$ 534,392</u>	<u>\$ 2,310,851</u>	<u>\$ 2,306,609</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 186,618	\$ -	\$ 186,618	\$ 34,471
Accrued liabilities (Note 6)	270,638		270,638	317,872
Accrued unemployment liability (Note 7)	30,000		30,000	30,000
Deferred revenues	27,500		27,500	-
TOTAL LIABILITIES	<u>514,756</u>	<u>-</u>	<u>514,756</u>	<u>382,343</u>
NET ASSETS				
Without donor restrictions	1,261,703		1,261,703	1,016,889
With donor restrictions				
Purpose restrictions (Note 10)		456,955	456,955	829,940
Perpetual in nature (Note 11)		77,437	77,437	77,437
TOTAL NET ASSETS	<u>1,261,703</u>	<u>534,392</u>	<u>1,796,095</u>	<u>1,924,266</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,776,459</u>	<u>\$ 534,392</u>	<u>\$ 2,310,851</u>	<u>\$ 2,306,609</u>

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

HUCKLEBERRY YOUTH PROGRAMS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT				
Program service fees (Note 12)	\$ 4,072,696	\$ -	\$ 4,072,696	\$ 4,349,001
Contributions and grants	920,473	704,000	1,624,473	2,141,786
Special events, net of expenses of \$185,184	352,629		352,629	226,767
Other income	96,467		96,467	16,081
Rental income	39,809		39,809	12,265
Net assets released from restrictions (Note 10)	1,076,985	(1,076,985)	-	-
TOTAL REVENUE AND SUPPORT	<u>6,559,059</u>	<u>(372,985)</u>	<u>6,186,074</u>	<u>6,745,900</u>
EXPENSES				
Program services	4,961,240		4,961,240	5,125,696
Management and general	841,664		841,664	802,872
Fundraising	511,341		511,341	553,586
TOTAL EXPENSES	<u>6,314,245</u>	<u>-</u>	<u>6,314,245</u>	<u>6,482,154</u>
CHANGE IN NET ASSETS	244,814	(372,985)	(128,171)	263,746
NET ASSETS, BEGINNING OF YEAR	<u>1,016,889</u>	<u>907,377</u>	<u>1,924,266</u>	<u>1,660,520</u>
NET ASSETS, END OF YEAR	<u>\$ 1,261,703</u>	<u>\$ 534,392</u>	<u>\$ 1,796,095</u>	<u>\$ 1,924,266</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, 2019

With comparative totals for the year ended June 30, 2018

	Program Services							Total Program Services	
	Huckleberry House	Huckleberry Wellness Academies	Cole Street Youth Clinic	Project Ready	Community Assessment and Resource	Huckleberry Teen Health Program	Huckleberry Advocacy and Response Team	2019	2018
Salaries	\$ 700,851	\$ 459,123	\$ 496,393	\$ 251,281	\$ 480,654	\$ 370,651	\$ 424,695	\$ 3,183,648	\$ 3,125,724
Employee benefits	80,256	42,957	42,816	16,292	49,280	57,624	29,890	319,115	368,453
Payroll taxes	56,672	34,664	37,488	18,649	36,241	27,134	31,647	242,495	260,134
Total personnel costs	<u>837,779</u>	<u>536,744</u>	<u>576,697</u>	<u>286,222</u>	<u>566,175</u>	<u>455,409</u>	<u>486,232</u>	<u>3,745,258</u>	<u>3,754,311</u>
Occupancy		72,794	64,430	46,231	108,050	67,481	27,766	386,752	293,819
Professional fees	31,426							31,426	-
Consultants	17,954	16,560	16,534	42,154	7,613	13,565	5,061	119,441	90,044
Miscellaneous	9,044	27,198	7,813	3,467	4,173	1,635	27,424	80,754	71,894
Subcontract payments			6,252		100,596			106,848	403,529
AmeriCorps fee	42,388			30,380		15,190		87,958	59,818
Telephone	8,799	2,886	11,275	3,285	5,401	5,368	6,665	43,679	43,880
Food	19,063	8,744	6,135	3,107	7,730	2,048	6,967	53,794	37,403
Repair and maintenance	14,275	3,504	1,952			19,572		39,303	26,423
Utilities	13,146	1,739	9,376			3,535	2,633	30,429	32,889
Depreciation	6,224		11,776		6,556	10,482		35,038	35,038
Training and meetings	5,760	1,367	4,904	203	1,107	688	2,258	16,287	21,411
Licenses and fees	6,179	933	2,734	1,116	4,215	6,237	565	21,979	37,638
Supplies	1,797	2,647	5,862	899	6,631	2,800	606	21,242	19,806
Travel	16,794	2,325	4,456	498	1,484	856	2,802	29,215	69,366
Interns and stipends	195	15,860	8,471		29	198	4,932	29,685	34,944
Advertising and promotions	3,638	1,025	1,287	507	1,814	165	344	8,780	5,607
Printing and duplications	1,567	256	3,461	149	2,209	1,156		8,798	11,971
Field trips and events	8	15,947	125	1,967	758	255	255	19,315	18,675
Equipment rental	4,857	1,264	492		2,723	1,362		10,698	11,976
Board of director expenses	2,010				340			2,350	-
Insurance	2,390	1,898	1,383	603	1,617	1,569	461	9,921	16,357
Van expenses	3,417	630	3,984	69		2,172	710	10,982	16,449
Postage and shipping	511	78	15		1	483	31	1,119	778
Education and recreation	1,111	2,693	536	803	264	436	725	6,568	4,382
Equipment	273	38	204		357	91	2,190	3,153	6,524
Subscriptions and publications	45		343	80				468	764
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 1,050,650</u>	<u>\$ 717,130</u>	<u>\$ 750,497</u>	<u>\$ 421,740</u>	<u>\$ 829,843</u>	<u>\$ 612,753</u>	<u>\$ 578,627</u>	<u>\$ 4,961,240</u>	
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 978,175</u>	<u>\$ 708,041</u>	<u>\$ 911,753</u>	<u>\$ -</u>	<u>\$ 1,179,700</u>	<u>\$ 784,809</u>	<u>\$ 563,218</u>		<u>\$ 5,125,696</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, 2019
 With comparative totals for the year ended June 30, 2018
 continued

	Program Services	Support Services		Total Support Services	Total Expenses	
		Management and General	Fundraising		2019	2018
Salaries	\$ 3,183,648	\$ 378,261	\$ 302,325	\$ 680,586	\$ 3,864,234	\$ 3,849,117
Employee benefits	319,115	75,909	33,283	109,192	428,307	496,895
Payroll taxes	242,495	54,820	21,005	75,825	318,320	301,479
Total personnel costs	3,745,258	508,990	356,613	865,603	4,610,861	4,647,491
Occupancy	386,752	35,068	35,318	70,386	457,138	380,758
Professional fees	31,426	148,401		148,401	179,827	178,047
Consultants	119,441	7,329	47,993	55,322	174,763	125,464
Miscellaneous	80,754	52,055	14,309	66,364	147,118	88,387
Subcontract payments	106,848	8,495		8,495	115,343	404,147
AmeriCorps fee	87,958			-	87,958	59,818
Telephone	43,679	7,974	6,740	14,714	58,393	53,624
Food	53,794	3,877	83	3,960	57,754	37,487
Repair and maintenance	39,303	2,777	2,215	4,992	44,295	34,463
Utilities	30,429	4,929	5,147	10,076	40,505	44,690
Depreciation	35,038	4,656	289	4,945	39,983	40,131
Training and meetings	16,287	17,084	2,682	19,766	36,053	34,464
Licenses and fees	21,979	3,729	9,057	12,786	34,765	71,436
Supplies	21,242	8,949	941	9,890	31,132	26,946
Travel	29,215	668	272	940	30,155	75,005
Interns and stipends	29,685			-	29,685	34,944
Advertising and promotions	8,780	9,497	6,712	16,209	24,989	13,706
Printing and duplications	8,798	1,738	13,596	15,334	24,132	21,982
Field trips and events	19,315			-	19,315	18,675
Equipment rental	10,698	2,476	1,372	3,848	14,546	16,132
Board of director expenses	2,350	7,890	1,785	9,675	12,025	20,457
Insurance	9,921	1,010	881	1,891	11,812	18,659
Van expenses	10,982			-	10,982	16,449
Postage and shipping	1,119	1,873	3,747	5,620	6,739	4,261
Education and recreation	6,568			-	6,568	4,382
Equipment	3,153	978		978	4,131	8,640
Subscriptions and publications	468	1,221	1,589	2,810	3,278	1,509
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 4,961,240	\$ 841,664	\$ 511,341	\$ 1,353,005	\$ 6,314,245	
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 5,125,696	\$ 802,872	\$ 553,586	\$ 1,356,458		\$ 6,482,154

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, 2019

With comparative totals for the year ended June 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (128,171)	\$ 263,746
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	39,983	40,132
(Increase) decrease in operating assets:		
Accounts receivable	(174,514)	(430,916)
Pledges receivable	165,485	(261,485)
Prepaid expenses and deposits	(174,524)	9,220
Increase (decrease) in operating liabilities:		
Accounts payable	152,147	(16,139)
Accrued liabilities	(47,234)	(8,367)
Deferred revenue	27,500	(83,921)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(139,328)</u>	<u>(487,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(39,451)</u>	<u>-</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(39,451)</u>	<u>-</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(178,779)	(487,730)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>573,961</u>	<u>1,061,691</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 395,182</u>	<u>\$ 573,961</u>

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 six programs in San Francisco and Marin Counties.

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 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 YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

Huckleberry's Project READY (Reconnecting, Educating, and Achieving Dreams for Youth) ensures middle schoolers with behavioral or truancy issues successfully transition to high school and avoid contact with the juvenile justice system. Academic support and intensive one-on-one case management, combined with parental support and education, can reduce rates of school failure and arrest among youth with multiple risk factors. To achieve the goal of transitioning youth to high school while avoiding contact with the juvenile justice system, the program works with youth from the summer before 8th grade through the first semester of 9th grade, with the most intensive services offered during 8th grade.

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.

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 Advocacy and Response Team ("HART") strives to create a safe space where youth are provided options in a nonjudgmental way in the hopes that they can lead the lives they desire and heal in the ways they define for themselves. HART views human trafficking as a symptom of larger vulnerabilities and other systemic root causes and works to address how these dynamics play out in young people's lives. HART provides advocacy and direct practice services to youth ages 11-24 who are vulnerable to or experiencing commercial sexual exploitation/involved in sex trafficking/engaging in survival sex. Using a relationship-driven, empowerment, and client centered approach, HART engages youth who are most disconnected from systems with the goal of re-engaging them with providers and connecting to their community.

Fire. On February 6, 2019, a gas explosion on the corner of Geary Boulevard and Parker Avenue severely damaged HYP's administration office from the fire, smoke and water. HYP's insurance policy is anticipated to cover all financial losses.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2019 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.

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.

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 the financial statement element is described in the notes below that relate to the element.

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.

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. HYP's financial statements for the year ended June 30, 2019 are presented in accordance with ASU 2016-14.

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, 2018, from which the summarized information was derived.

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

The following reflects HYP's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if management approves that action. Management reports on its liquidity and availability of financial assets to the Board of Directors on a semi-monthly basis.

Cash and cash equivalents	\$ 395,182
Accounts receivable	1,248,945
Pledges receivable	<u>222,500</u>
Total financial assets at year-end	1,866,627
Less: Cash and pledges with donor restrictions	<u>(456,955)</u>
Assets available to meet general expenditures within one year:	<u>\$1,409,672</u>

HYP is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, HYP must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of HYP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. Management deemed pledges fully collectible, accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at their estimated fair value at June 30, 2019. Pledges receivable at June 30, 2019, of \$222,500, are expected to be collected within a year.

5. Property and Equipment

Property and equipment at June 30, 2019 consist of the following:

Land	\$ 113,419
Buildings	150,338
Building improvements	357,735
Leasehold improvements	287,388
Equipment, furniture, and fixtures	243,780
Vehicles	<u>95,906</u>
	1,248,566
Less: accumulated depreciation	<u>(1,008,460)</u>
	<u>\$ 240,106</u>

Depreciation for the year ended June 30, 2019 was \$39,983.

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

6. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Accrued vacation	\$200,323
Accrued salaries and other accrued liabilities	<u>70,315</u>
	<u>\$270,638</u>

7. 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, 2019 of \$30,000 represents estimated future claims arising from payroll paid to June 30, 2019. Unemployment expense paid for the year ended June 30, 2019 was \$28,775.

8. Line of Credit

HYP has a line of credit in the amount of \$500,000, from a bank, secured by a deed of trust, with payments payable monthly on the outstanding balance, at an interest rate that varies from 3.25% to 14.95%, due November 2026. There was no outstanding balance on the line of credit at June 30, 2019.

9. 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:

<u>Year ending June 30,</u>	
2020	\$ 595,675
2021	393,136
2022	79,028
2023	81,037
2024	<u>83,468</u>
	<u>\$1,232,344</u>

Rent for facilities and equipment under operating leases for the year ended June 30, 2019 was \$471,528.

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

9. Commitments and Contingencies, continued

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.

10. Net Assets With Donor Restrictions – Purpose Restrictions

Net assets with donor restrictions at June 30, 2019 consist of the following:

Wellness academy	\$135,000
Education	125,000
Core operating support	75,000
Bruce Fisher fund	54,454
Substance abuse prevention	50,000
Health and mental health program	13,750
Teen health	<u>3,751</u>
	<u>\$456,955</u>

For the year ended June 30, 2019, net assets released from purpose restrictions were \$1,076,985.

11. Net Assets With Donor Restrictions – Perpetual in Nature (Endowment)

Net assets with donor restrictions that are perpetual in nature represent contributions of property which the donor has stipulated be used in perpetuity for HYP's programs. At June 30, 2019, net assets with donor restrictions that are perpetual in nature 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 net assets with donor restrictions that are perpetual in nature, (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 net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions with purpose restrictions until those amounts are appropriated for expenditure by HYP.

Net assets with donor restrictions that are perpetual in nature at June 30, 2019 consist of land in the amount of \$77,437.

continued

HUCKLEBERRY YOUTH PROGRAMS, INC.

NOTES TO FINANCIAL STATEMENTS

12. Program Service Fees

Program service fees for the year ended June 30, 2019 consist of the following:

Huckleberry House	\$ 872,676
Community Assessment and Resource Center	820,668
Huckleberry Teen Health Program	535,756
Emergency Response to Commercially Sexually Exploited Children	465,552
Huckleberry's Cole Street Clinic	373,980
Child Abuse Treatment Program	292,594
San Francisco Multi-service Center	280,398
Board of State Community Corrections	211,658
Huckleberry's Wellness Academies	106,153
Department of Children, Youth and their Families – STEM	50,000
Lyric Center for LGBTQ Youth	33,207
Department of Homelessness and Supportive Housing (HSH)	15,590
Sunset Youth Services	11,964
Others	<u>2,500</u>
	<u>\$4,072,696</u>

13. Subsequent Events

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

No adjustments have been made to these financial statements as a result of this uncertainty.

Management has evaluated subsequent events through April 17, 2020, the date which the financial statements were available for issue. No other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

ADDITIONAL INFORMATION

**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 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. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, 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 thereon dated April 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Huckleberry Youth Programs, Inc.'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 Huckleberry Youth Programs, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Huckleberry Youth Programs, Inc.'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 Huckleberry Youth Programs, Inc.'s financial statements are free from 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*.

**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***
continued

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

Oakland, California
April 17, 2020