

**YOUTH HOMES, INCORPORATED**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Youth Homes, Incorporated

### Report on the Financial Statements

We have audited the accompanying financial statements of Youth Homes, Incorporated (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, 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 Youth Homes, Incorporated as of June 30, 2021, 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

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### Other Matter

#### *Report on Summarized Comparative Information*

We have previously audited Youth Homes, Incorporated's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 10, 2021, on our consideration of Youth Homes, Incorporated'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 Youth Homes Incorporated'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 Youth Homes, Incorporated's internal control over financial reporting and compliance.

*Harrington Group*

Oakland, California  
November 10, 2021

## YOUTH HOMES, INCORPORATED

### STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>				
Cash	\$ 2,140,261	\$ 296,372	<b>\$ 2,436,633</b>	\$ 2,302,367
Accounts and grants receivable	936,830		<b>936,830</b>	940,994
Investments (Note 4)	1,652,451		<b>1,652,451</b>	1,423,041
Prepaid expenses	134,844		<b>134,844</b>	150,087
Split-interest agreement (Note 5)		274,635	<b>274,635</b>	221,609
Property and equipment (Note 7)	613,865		<b>613,865</b>	579,767
	<b>\$ 5,478,251</b>	<b>\$ 571,007</b>	<b>\$ 6,049,258</b>	<b>\$ 5,617,865</b>
 <b>TOTAL ASSETS</b>				
 <b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 72,306	\$ -	<b>\$ 72,306</b>	\$ 82,434
Accrued liabilities (Note 8)	518,505		<b>518,505</b>	531,320
Deferred rent	38,810		<b>38,810</b>	2,713
Accrued unemployment liability (Note 9)	31,000		<b>31,000</b>	31,000
Paycheck protection program (Note 10)			-	1,078,900
Notes payable (Note 11)	462,630		<b>462,630</b>	478,467
	<b>1,123,251</b>	<b>-</b>	<b>1,123,251</b>	<b>2,204,834</b>
 <b>TOTAL LIABILITIES</b>				
 <b>NET ASSETS</b>				
Without donor restrictions	4,355,000		<b>4,355,000</b>	2,747,746
With donor restrictions				
Purpose restrictions (Note 13)		296,372	<b>296,372</b>	443,676
Perpetual in nature (Note 5)		274,635	<b>274,635</b>	221,609
	<b>4,355,000</b>	<b>571,007</b>	<b>4,926,007</b>	<b>3,413,031</b>
 <b>TOTAL NET ASSETS</b>				
 <b>TOTAL LIABILITIES AND NET ASSETS</b>				
	<b>\$ 5,478,251</b>	<b>\$ 571,007</b>	<b>\$ 6,049,258</b>	<b>\$ 5,617,865</b>

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

**YOUTH HOMES, INCORPORATED**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021</b>	<b>2020</b>
<b>REVENUE AND SUPPORT</b>				
Program service fees - government (Note 14)	\$ 4,568,315	\$ 2,571,731	\$ 7,140,046	\$ 7,396,628
Contributions	432,483	224,094	656,577	435,094
Gain (loss) on investments	228,378		228,378	(18,480)
Thrift shop sales	181,544		181,544	106,202
Special event, net of benefit to donor of \$24,627	158,089		158,089	89,659
Change in value of split-interest agreement		53,026	53,026	(7,966)
Interest income	24,892		24,892	35,362
Other income	22,021		22,021	31,080
Contributions - auxiliary			-	120,551
(Loss) on disposal of fixed assets			-	(27,398)
Net assets released from restrictions (Note 13)	2,943,129	(2,943,129)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>8,558,851</b>	<b>(94,278)</b>	<b>8,464,573</b>	<b>8,160,732</b>
<b>EXPENSES</b>				
Program services	5,913,773		5,913,773	6,273,064
Management and general	1,796,729		1,796,729	1,566,330
Fundraising	319,995		319,995	262,074
<b>TOTAL EXPENSES</b>	<b>8,030,497</b>	<b>-</b>	<b>8,030,497</b>	<b>8,101,468</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<b>528,354</b>	<b>(94,278)</b>	<b>434,076</b>	<b>59,264</b>
<b>OTHER CHANGES</b>				
Paycheck protection program forgiveness (Note 10)	1,078,900		1,078,900	-
<b>CHANGE IN NET ASSETS</b>	<b>1,607,254</b>	<b>(94,278)</b>	<b>1,512,976</b>	<b>59,264</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,747,746</b>	<b>665,285</b>	<b>3,413,031</b>	<b>3,353,767</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,355,000</b>	<b>\$ 571,007</b>	<b>\$ 4,926,007</b>	<b>\$ 3,413,031</b>

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

**YOUTH HOMES, INCORPORATED**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Foster Youth Programs	Youth Services and Programs	Young Adult Programs	Thrift Shop				2021	2020
Salaries	\$ 2,067,920	\$ 1,359,210	\$ 604,125	\$ 70,000	\$ 4,101,255	\$ 942,668	\$ 160,950	\$ 5,204,873	\$ 5,157,260
Payroll taxes and employee benefits	459,917	308,147	138,732	15,976	922,772	233,533	36,729	1,193,034	1,142,253
Total personnel costs	2,527,837	1,667,357	742,857	85,976	5,024,027	1,176,201	197,679	6,397,907	6,299,513
Professional fees	380	53,085	45,028	11,700	110,193	232,201	78,951	421,345	425,774
Rent	29,131	61,503	54,786	81,324	226,744	107,882	12,153	346,779	293,400
Information technology		8,457	5,085	3,297	24,864	98,006	8,337	131,207	101,293
Repairs and maintenance	82,888	1,355	122		84,365	42,224	17	126,606	84,334
Insurance	25,495	18,226	12501		56,222	46,724	3,786	106,732	97,599
Utilities	73,893	1,005	682	10,874	86,454	9,546	185	96,185	72,689
Food	53,946	1,010	734		55,690			55,690	67,347
Supplies	25,294	8,553	4,056	2,805	40,708	10,537	343	51,588	86,976
Depreciation	50,810				50,810			50,810	46,318
Child related expenses	38,444	4,159	5,927		48,530		391	48,921	135,602
Telephone	2,735	12,099	8,370	470	23,674	20,920	2,384	46,978	35,142
Travel	5,002	17,019	10,955		32,976	435	9	33,420	130,270
Printing and office expenses		35		456	491	15,216	11,159	26,866	34,296
Bank and other fees	3,419			2,520	5,939	14,126	3,438	23,503	4,300
Staff development and training	600	10,329	3,566		14,495	4,371		18,866	34,740
Interest expenses	17,620				17,620			17,620	19,276
Dues and subscriptions	100			25	125	15,549	660	16,334	22,761
Licenses	4,917				4,917			4,917	2,513
Property taxes	2,491				2,491	15		2,506	10,490
Bad debt					-	1,746	503	2,249	88,971
Basic care	2,124				2,124			2,124	5,340
Meeting (advertising and public relations)				314	314	1,030		1,344	2,524
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<b>\$ 2,955,151</b>	<b>\$ 1,864,192</b>	<b>\$ 894,669</b>	<b>\$ 199,761</b>	<b>\$ 5,913,773</b>	<b>\$ 1,796,729</b>	<b>\$ 319,995</b>	<b>\$ 8,030,497</b>	
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 3,099,074</b>	<b>\$ 2,052,395</b>	<b>\$ 1,005,607</b>	<b>\$ 115,988</b>	<b>\$ 6,273,064</b>	<b>\$ 1,566,330</b>	<b>\$ 262,074</b>		<b>\$ 8,101,468</b>

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

**YOUTH HOMES, INCORPORATED**

STATEMENT OF CASH FLOWS  
For the year ended June 30, 2021  
With comparative totals for the year ended June 30, 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,512,976	\$ 59,264
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck protection program loan forgiveness	(1,078,900)	-
Depreciation	50,810	46,318
Loss on disposal of assets	-	27,398
Change in value of split-interest agreement	(53,026)	7,966
Reinvested interest and dividends	(24,786)	(27,310)
(Gain) loss on investment	(228,378)	18,480
(Increase) decrease in operating assets:		
Accounts grants and receivable	4,164	98,556
Prepaid expenses	15,243	(21,144)
Increase (decrease) in operating liabilities:		
Accounts payable	(10,128)	26,694
Accrued liabilities	(12,815)	83,182
Deferred rent	36,097	(27,147)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>211,257</u>	<u>292,257</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investment	(7,754)	-
Proceeds from the sale of investments	31,508	313,382
Purchase of property and equipment	(84,908)	(91,986)
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(61,154)</u>	<u>221,396</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from paycheck protection program	-	1,078,900
Payments on notes payable	(15,837)	(13,404)
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(15,837)</u>	<u>1,065,496</u>
<b>NET INCREASE IN CASH</b>	134,266	1,579,149
<b>CASH, BEGINNING OF YEAR</b>	<u>2,302,367</u>	<u>723,218</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,436,633</u>	<u>\$ 2,302,367</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflect interest paid of:	<u>\$ 18,229</u>	<u>\$ 17,768</u>

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



# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

Youth Homes, Incorporated (“Youth Homes”) is a not-for-profit organization under the laws of the State of California. Youth Homes provides a range of services to foster care children placed with it by various governmental agencies.

Youth Homes’ range of services includes the following:

***Intensive Residential Treatment:*** Youth Homes operates four state licensed, six-bed homes in several cities in central Contra Costa County. Two of the homes are emergency shelters and two are short-term treatment programs.

***Intensive Treatment Foster Care:*** Youth Homes certifies family homes in the community as foster homes to provide a step-down option from its residential programs and a family setting option for youth who would benefit from longer-term treatment in a family environment.

***Community Based Mental Health Services:*** Under contract with the Health Services Department, Youth Homes provides a wide variety of mental health support services to severely emotional abused children and adolescents. These services include psychological assessment, individual and group therapy, family therapy, which occur mostly in its residential facilities.

***Therapeutic Behavioral Services:*** A very sophisticated, preventative program with a highly specialized team of behavioral coaches who fan out across the county each day to support children. The children served by this program are at a high risk of returning to very high-level residential treatment settings or acute care hospitals.

***After Care Services:*** In order to assure permanent homes for foster children who are transitioning to lower levels of care or independent living, Youth Homes provides an extensive after care program. This program helps foster children, who are aging out of the system, with mental health counseling, help with finding employment, assistance with finding a safe place to live, and support with their individual education goals.

***Mentoring Program:*** A group of special volunteers works one-on-one with a child. The volunteers give the child an adult friend who is dependable, caring, and committed to their well being. This program helps the children as they transition to young adults, and well into their future.

Youth Homes receives funding from county and state agencies, with portions of its funding originating from the federal government. Youth Homes also receives funding from private sources.

***Transitional-aged Youth Labor Program:*** Youth Home now employs between six and eight former foster care clients in providing light gardening, hauling, and yard work for private pay in the community.

***Transitional-aged Youth Full-Service Partnership:*** Youth Homes provides intensive case management and therapeutic support for young adults aged 16-25 struggling with serious mental illness.

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### **Accounts Receivable**

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

#### **Investments**

Youth Homes values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as other income. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

#### **Revenue and Revenue Recognition**

Youth Homes recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of Youth Homes' revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Youth Homes has incurred expenditures in compliance with specific contract or grant provisions.

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **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

Youth Homes is required to measure certain investments and a split-interest agreement at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

#### **Concentration of Credit Risks**

Youth Homes 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 limits. Youth Homes has not incurred any material losses related to these investments.

The primary receivable balance outstanding at June 30, 2021 consists 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 Youth Homes' receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 75% of total revenue and support generated by Youth Homes as of June 30, 2021, is derived from government service fees.

Youth Homes holds investments in the form of certificates of deposit, common stock, and money market funds. The Board of Directors routinely reviews market values of such investments.

#### **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 five thousand dollars and the useful life is greater than two years.

#### **Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value 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 in the period received. For the year ended June 30, 2021, Youth Homes did not receive any in-kind contributions of donated materials and services.

continued

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Income Taxes**

Youth Homes 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 Youth Homes in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Youth Homes' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### **Functional Allocation of Expenses**

Costs of providing Youth Homes' 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. Youth Homes uses salary dollars to allocate indirect costs.

#### **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.

#### **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 Youth Homes' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

#### **Subsequent Events**

Management has evaluated subsequent events through November 10, 2021, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources

Youth Homes regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Youth Homes has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Youth Homes considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, billable services, fundraising, and investments. The Finance Committee of the Board of Directors meets monthly to review all financial aspects of the organization and meets annually with Youth Homes' financial advisors to review investment results, assess risk, and make recommendations for changes as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, Youth Homes operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	\$2,140,261
Accounts receivable, net	936,830
Investments	<u>1,652,451</u>
	<u>\$4,729,542</u>

### 4. Investments

Significant information about investments at June 30, 2021 is summarized as follows:

Exchange market fund	\$ 765,117
Money market funds	401,387
Equities	183,700
Bonds	153,839
Cash	116,715
Certificates of deposit	<u>31,693</u>
	<u>\$1,652,451</u>

continued

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 5. Split-Interest Agreement

During 1980, a donor established a trust with a bank, naming Youth Homes as one of the beneficiaries of a perpetual trust. Under the terms of the split-interest agreement, Youth Homes is to receive one-third of the annual income, for its unrestricted use, after payment of taxes, trustee fees, and certain other beneficiary payments until the last-named person's death. At the time of the last-named person's death, Youth Homes will continue to receive one-third of the annual income, after payment of taxes and trustee fees, in perpetuity. One-third of the fair value of the trust assets, \$274,635 is reported with donor restrictions in perpetuity by Youth Homes.

### 6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-market funds	\$ 765,117	\$ -	\$ -	\$ 765,117
Equities	183,700			183,700
Bonds	153,839			153,839
Investment in Marie Cruess Charitable Remainder Trust (split-interest agreement)	<u>274,635</u>	<u>          </u>	<u>          </u>	<u>274,635</u>
	<u>\$1,377,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,377,291</u>

The fair value of exchange-market funds, equities, bonds, and investment in Marie Cruess Charitable Remainder Trust has been measured on a recurring basis using quoted prices for identical assets in active markets since the underlying assets of the trust are invested in market traded instruments (Level 1 inputs).

### 7. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

Land	\$ 306,008
Buildings	425,147
Leasehold improvements	360,568
Vehicles	191,340
Office equipment	<u>40,291</u>
	1,323,354
Less: accumulated depreciation	<u>(709,489)</u>
	<u>\$ 613,865</u>

In May 1994, Youth Homes acquired Community Development Block Grant funds in the amount of \$80,000 from the Community Development Department of Contra Costa County, for the down payment on improved real property to be used as a group home. The grant will be converted to debt, if Youth Homes changes the use of the property. Youth Homes does not intend to change the use of the property. Pursuant to the grant provisions, Youth Homes delivered to the County a deed of trust encumbering the property.

continued

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 8. Accrued Liabilities

Accrued liabilities at June 30, 2021 consist of the following:

Accrued vacation	\$269,671
Accrued salaries and related liabilities	241,580
Other liabilities	<u>7,254</u>
	<u>\$518,505</u>

### 9. Accrued Unemployment Liability

Youth Homes has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2021 of \$31,000 represents estimated future claims arising from payroll paid to June 30, 2021. Unemployment claims for the year ended June 30, 2021 was \$74,227.

### 10. Paycheck Protection Program

In May 2020, Youth Homes received a loan from the U.S. Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”), as provided by the Coronavirus Aid, Relief, and Economic Security (“CARES Act”). The amount of the loan was \$1,078,900 and bore an interest of 1.00% per year. All SBA loan proceeds were used only for business-related purposes as specified in the loan application and consistent with the PPP regulations.

In February 2021, Youth Homes received notice that the PPP loan was fully forgiven by the SBA.

### 11. Notes Payable

Notes payable at June 30, 2021 consist of the following:

Mortgage payable to a bank, secured by real property, monthly payments of \$2,595, including interest at 3.875%, due November 2037.	\$189,181
Mortgage payable to a bank, secured by real property, monthly payments of \$1,746, including interest at 3.875%, due December 2033.	189,359
Mortgage payable to a bank, secured by real property, monthly payments of \$686, including interest at 3.875%, due August 2034.	<u>84,090</u>
	<u>\$462,630</u>

continued

# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 11. Notes Payable, continued

Payments for notes payable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 14,896
2023	15,483
2024	16,094
2025	16,729
2026	17,389
Thereafter	<u>382,039</u>
	<u>\$462,630</u>

### 12. Commitments and Contingencies

#### Obligations Under Operating Leases

Youth Homes leases real property and equipment under operating leases expiring in various years. 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>	
2022	\$ 290,076
2023	253,488
2024	124,999
2025	51,787
Thereafter	<u>941,611</u>
	<u>\$1,661,961</u>

Rent expense under operating leases for the year ended June 30, 2021 was \$355,013.

#### Contracts

Youth Homes' 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, Youth Homes has no provisions for the possible disallowance of program costs on its financial statements.

continued



# YOUTH HOMES, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

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### 12. Commitments and Contingencies, continued

#### Impact of COVID-19 Virus

Following the State “Safer at Home” order to close all non-essential business activities, Youth Homes, has been conducting business under Safer at Home isolation protocols. The overall impact of the COVID-19 virus on Youth Homes cannot be foreseen at this time and is not reflected in these financial statements.

### 13. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 consist of the following:

Gemmer	\$ 86,708
Five Bridges TAY	56,907
Coit	54,155
TAY-Emergency	35,880
Leshner	23,553
Sierra Health	17,261
Auxiliary	15,438
Enrichment Donors	<u>6,470</u>
	<u>\$296,372</u>

For the year ended June 30, 2021, net assets with donor restrictions released from purpose restrictions were \$2,943,129

### 14. Program Service Fees - Government

Program service fees for the year ended June 30, 2021 consist of the following:

Residential and foster care	\$2,571,731
C-5 mental health program	2,421,021
Therapeutic behavioral services	1,003,830
Katie A contract services	590,276
TAY contract services	505,629
RCL 12 supplemental funding	<u>47,559</u>
	<u>\$7,140,046</u>