



YOUTH HOMES, INCORPORATED



FINANCIAL STATEMENTS

JUNE 30, 2022

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CONTENTS

Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth Homes, Incorporated

Opinion

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, 2022, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Youth Homes, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Homes, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT

continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Youth Homes, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Youth Homes, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited Youth Homes, Incorporated's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITORS' REPORT

continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, 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 14, 2022

YOUTH HOMES, INCORPORATED

STATEMENT OF FINANCIAL POSITION

June 30, 2022

With comparative totals at June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
ASSETS				
Cash	\$ 418,120	\$ 580,110	\$ 998,230	\$ 2,436,633
Accounts and grants receivable	659,889		659,889	936,830
Investments (Note 4)	1,429,666		1,429,666	1,652,451
Prepaid expenses	135,910		135,910	134,844
Split-interest agreement (Note 5)		219,525	219,525	274,635
Property and equipment (Note 7)	663,594		663,594	613,865
	<u>663,594</u>		<u>663,594</u>	<u>613,865</u>
TOTAL ASSETS	<u>\$ 3,307,179</u>	<u>\$ 799,635</u>	<u>\$ 4,106,814</u>	<u>\$ 6,049,258</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 95,849	\$ -	\$ 95,849	\$ 72,306
Accrued liabilities (Note 8)	373,239		373,239	518,505
Deferred rent	51,768		51,768	38,810
Accrued unemployment liability (Note 9)	31,000		31,000	31,000
Notes payable (Note 10)	447,735		447,735	462,630
	<u>447,735</u>		<u>447,735</u>	<u>462,630</u>
TOTAL LIABILITIES	<u>999,591</u>	<u>-</u>	<u>999,591</u>	<u>1,123,251</u>
NET ASSETS				
Without donor restrictions	2,307,588		2,307,588	4,355,000
With donor restrictions				
Purpose restrictions (Note 12)		580,110	580,110	296,372
Perpetual in nature (Note 5)		219,525	219,525	274,635
		<u>219,525</u>	<u>219,525</u>	<u>274,635</u>
TOTAL NET ASSETS	<u>2,307,588</u>	<u>799,635</u>	<u>3,107,223</u>	<u>4,926,007</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,307,179</u>	<u>\$ 799,635</u>	<u>\$ 4,106,814</u>	<u>\$ 6,049,258</u>

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

YOUTH HOMES, INCORPORATED

STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

With comparative totals for the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT				
Program service fees - government (Note 13)	\$ 3,416,295	\$ 1,117,907	\$ 4,534,202	\$ 7,140,046
Contributions	108,726	671,856	780,582	656,577
Thrift shop sales	251,716		251,716	181,544
Other income	27,892		27,892	22,021
Interest income	25,926		25,926	24,892
Change in value of split-interest agreement		(55,109)	(55,109)	53,026
(Loss) gain on investments	(237,736)		(237,736)	228,378
Special event	-		-	158,089
Net assets released from restrictions (Note 12)	1,506,026	(1,506,026)	-	-
TOTAL REVENUE AND SUPPORT	<u>5,098,845</u>	<u>228,628</u>	<u>5,327,473</u>	<u>8,464,573</u>
EXPENSES				
Program services	5,065,083		5,065,083	5,913,773
Management and general	1,613,857		1,613,857	1,796,729
Fundraising	467,317		467,317	319,995
TOTAL EXPENSES	<u>7,146,257</u>	<u>-</u>	<u>7,146,257</u>	<u>8,030,497</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(2,047,412)	228,628	(1,818,784)	434,076
OTHER CHANGES				
Paycheck protection program loan forgiveness	-	-	-	1,078,900
CHANGE IN NET ASSETS	(2,047,412)	228,628	(1,818,784)	1,512,976
NET ASSETS, BEGINNING OF YEAR	<u>4,355,000</u>	<u>571,007</u>	<u>4,926,007</u>	<u>3,413,031</u>
NET ASSETS, END OF YEAR	<u>\$ 2,307,588</u>	<u>\$ 799,635</u>	<u>\$ 3,107,223</u>	<u>\$ 4,926,007</u>

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

YOUTH HOMES, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2022
With comparative totals for the year ended June 30, 2021

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Foster Youth Programs	Youth Services and Programs	Young Adult Programs	Thrift Shop				2022	2021
Salaries	\$ 1,230,362	\$ 1,353,007	\$ 661,338	\$ 71,642	\$ 3,316,349	\$ 703,292	\$ 283,421	\$ 4,303,062	\$ 5,204,873
Payroll taxes and employee benefits	267,734	328,956	167,781	16,206	780,677	184,029	68,516	1,033,222	1,193,034
Total personnel costs	1,498,096	1,681,963	829,119	87,848	4,097,026	887,321	351,937	5,336,284	6,397,907
Professional fees	7,316	67,985	58,450	1,500	135,251	380,677	42,894	558,822	421,345
Rent	31,200	55,987	38,480	90,175	215,842	96,855	17,251	329,948	346,779
Repairs and maintenance	139,306			1,244	140,550	31,018	740	172,308	126,606
Information technology	445	15,253	10,194	446	26,338	90,549	12,813	129,700	131,207
Insurance	20,932	28,763	19,875		69,570	37,911	8,641	116,122	106,732
Utilities	55,638	2,190	1,326	12,143	71,297	10,183	341	81,821	96,185
Depreciation	49,021	10,073	4,975		64,069	6,016		70,085	50,810
Supplies	13,792	17,752	9,021	2,748	43,313	4,163	1,156	48,632	51,588
Travel	582	30,801	16,023	664	48,070	243		48,313	33,420
Child related expenses	17,091	5,711	20,174		42,976		116	43,092	48,921
Telephone		9,254	6,324		15,578	17,939	7,466	40,983	46,978
Food	26,833	1,842	2,170		30,845	145	89	31,079	55,690
Bank and other fees	7	5,002	2,232	988	8,229	13,544	6,100	27,873	23,503
Staff development and training	124	2,048	779		2,951	18,121	418	21,490	18,866
Bad debt	11,022	6,460			17,482	1,149	614	19,245	2,249
Interest expenses	17,664				17,664			17,664	17,620
Office expenses		246		495	741	2,686	11,056	14,483	26,866
Dues and subscriptions			415		415	12,396	1,234	14,045	16,334
Licenses	6,693	316			7,009	2,754		9,763	4,917
Basic care	5,250	206	1,699		7,155			7,155	2,124
Meeting					-		4,451	4,451	1,344
Property taxes	2,712				2,712	187		2,899	2,506
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 1,903,724	\$ 1,941,852	\$ 1,021,256	\$ 198,251	\$ 5,065,083	\$ 1,613,857	\$ 467,317	\$ 7,146,257	
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 2,955,151	\$ 1,864,192	\$ 894,669	\$ 199,761	\$ 5,913,773	\$ 1,796,729	\$ 319,995		\$ 8,030,497

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

YOUTH HOMES, INCORPORATED

STATEMENT OF CASH FLOWS For the year ended June 30, 2022 With comparative totals for the year ended June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,818,784)	\$ 1,512,976
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Paycheck protection program loan forgiveness	-	(1,078,900)
Depreciation	70,085	50,810
Change in value of split-interest agreement	55,109	(53,026)
Reinvested interest and dividends	(25,804)	(24,786)
Loss (gain) on investment	238,716	(228,378)
(Increase) decrease in operating assets:		
Accounts grants and receivable	276,941	4,164
Prepaid expenses	(1,066)	15,243
Increase (decrease) in operating liabilities:		
Accounts payable	23,543	(10,128)
Accrued liabilities	(145,266)	(12,815)
Deferred rent	12,958	36,097
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(1,313,568)	211,257
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investment	(122,029)	(7,754)
Proceeds from the sale of investments	130,853	31,508
Purchase of property and equipment	(118,764)	(84,908)
NET CASH (USED) BY INVESTING ACTIVITIES	(109,940)	(61,154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principle payments on notes payable	(14,895)	(15,837)
NET CASH (USED) BY FINANCING ACTIVITIES	(14,895)	(15,837)
NET INCREASE IN CASH	(1,438,403)	134,266
CASH, BEGINNING OF YEAR	2,436,633	2,302,367
CASH, END OF YEAR	\$ 998,230	\$ 2,436,633
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid of:	\$ 17,664	\$ 18,229

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

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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 emotionally 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

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

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, 2022 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 85% of total revenue and support generated by Youth Homes as of June 30, 2022, 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, 2022, Youth Homes did not receive any in-kind contributions of donated materials and services.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

Youth Homes, Incorporated 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, 2021, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 14, 2022, 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

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, 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	\$ 418,120
Accounts receivable, net	659,889
Investments	<u>1,429,666</u>
	<u>\$2,507,675</u>

4. Investments

Significant information about investments at June 30, 2022 is summarized as follows:

Exchange market fund	\$ 587,509
Bond	405,610
Money market funds	161,690
Equities	157,055
Cash	85,954
Certificates of deposit	<u>31,848</u>
	<u>\$1,429,666</u>

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, \$219,525 is reported with donor restrictions in perpetuity by Youth Homes.

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2022 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange-market funds	\$ 587,509	\$ -	\$ -	\$ 587,509
Bonds	405,610			405,610
Equities	157,055			157,055
Investment in Marie Cruess Charitable Remainder Trust (split-interest agreement)	<u>219,525</u>	<u> </u>	<u> </u>	<u>219,525</u>
	<u>\$1,369,699</u>	<u>\$ </u>	<u>\$ </u>	<u>\$1,369,699</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, 2022 consist of the following:

Land	\$ 306,008
Buildings	425,147
Leasehold improvements	450,687
Vehicles	131,850
Office equipment	<u>69,986</u>
	1,383,678
Less: accumulated depreciation	<u>(720,084)</u>
	<u>\$ 663,594</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

8. Accrued Liabilities

Accrued liabilities at June 30, 2022 consist of the following:

Accrued vacation	\$180,661
Accrued salaries and related liabilities	158,185
Other liabilities	<u>34,393</u>
	<u>\$373,239</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, 2022 of \$31,000 represents estimated future claims arising from payroll paid to June 30, 2022. Unemployment claims for the year ended June 30, 2022 was \$73,725.

10. Notes Payable

Notes payable at June 30, 2022 consist of the following:

Mortgage payable to a bank, secured by real property, monthly payments of \$1,746, including interest at 3.875%, due December 2033.	\$183,330
Mortgage payable to a bank, secured by real property, monthly payments of \$2,595, including interest at 3.875%, due November 2037.	182,857
Mortgage payable to a bank, secured by real property, monthly payments of \$686, including interest at 3.875%, due August 2034.	<u>81,548</u>
	<u>\$447,735</u>

Payments for notes payable are as follows:

<u>Year ending June 30,</u>	
2023	\$ 15,483
2024	16,094
2025	16,729
2026	17,389
2027	18,074
Thereafter	<u>363,966</u>
	<u>\$447,735</u>

continued

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

11. 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>	
2023	\$ 284,332
Thereafter	<u>830,221</u>
	<u>\$1,114,553</u>

Rent expense under operating leases for the year ended June 30, 2022 was \$337,819.

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.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 consist of the following:

Welcome Home	\$242,987
Guild STRTP	105,400
MDRT	103,283
Lesher	48,278
Five Bridges	41,701
STRTP Enrichment	20,265
Auxiliary	7,932
TAY-Emergency	6,660
Enrichment Donors	1,998
Coit	<u>1,606</u>
	<u>\$580,110</u>

For the year ended June 30, 2022, net assets with donor restrictions released from purpose restrictions were \$1,506,026.

YOUTH HOMES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

13. Program Service Fees - Government

Program service fees for the year ended June 30, 2022 consist of the following:

C-5 mental health program	\$1,479,970
Residential and foster care	1,117,907
Therapeutic behavioral services	861,146
TAY contract services	542,095
Katie A contract services	509,321
RCL 12 supplemental funding	<u>23,763</u>
	<u>\$4,534,202</u>

Program Service Fees Decrease in 2022

Fiscal year 2021-2022 was a transitional year for Youth Homes and navigating the unfolding effects of the COVID-19 pandemic proved to be very challenging. Due to ongoing sector-wide staffing shortages, we began the year operating 3 homes serving a total of 9 youth. The resulting cost inefficiencies led to organizational changes. In September 2021 we merged to two houses and then consolidated to one in December 2021 as youth transitioned to more permanent placements.

We made the decision to operate one home so that we could provide in depth training for all of our team, navigate staffing shortages due to COVID-19 absences, and take the opportunity to conduct overdue and much needed renovations at our Cherry Lane, Anderson, and East Bay Shelter homes.

We were able to fully utilize Paycheck Protection Program (PPP) funding to support our team and we did not eliminate any positions that directly served our youth, young adults, and families.

Additionally, we saw a second year of service reduction in client services due to COVID-19, with increased client cancellations due to a variety of reasons illness, family upheaval, socioeconomic crisis, and lack of telehealth connectivity. These disruptions in productivity had a dramatic impact on reimbursable revenue provided in our contract with Contra Costa County.

While still emerging from COVID-19, this year we are seeing a bright future for Youth Homes. Our homes are providing therapeutic care for our youth that far exceeds what has been provided in recent years. Our community mental health programs (Therapeutic Behavioral Services (TBS), Family Pathways and Transition-Aged Youth (TAY) are experiencing a high rate of referrals. While recruitment is still a challenge in the current hiring environment, we are experiencing an increase of individuals entering the field with much needed skills and a desire to work for mission-driven organizations like ours that support growth.

The first quarter of the new fiscal (i.e. July-September 2022) shows signs of stability as we prepare to open our second home and client services are in greater demand. With confidence, we are emerging from 2021-22 stronger and adaptable.