3RD STREET YOUTH CENTER AND CLINIC

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
3rd Street Youth Center and Clinic
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of 3rd Street Youth Center and Clinic, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 3rd Street Youth Center and Clinic as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 3rd Street Youth Center and Clinic and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 3rd Street Youth Center and Clinic's ability to continue as a going concern for one year after the date 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 GAAS 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 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.

In performing an audit in accordance with GAAS, 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 3rd Street Youth Center and Clinic'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 3rd Street Youth Center and Clinic'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
October 12, 2023

3RD STREET YOUTH CENTER AND CLINIC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,935,433	$ 4,938,824
Accounts Receivable	1,696,837	610,653
Current Portion of Promises to Give	1,209,350	600,000
Prepaid Expenses and Other Assets	28,931	36,146
Total Current Assets	5,870,551	6,185,623
NONCURRENT ASSETS		
Promises to Give, Net of Current Portion	15,000	200,000
Property and Equipment, Net	873,986	59,704
Right-of-Use Asset - Operating, Net	289,697	-
Right-of-Use Asset - Finance, Net	26,846	-
Total Noncurrent Assets	1,205,529	259,704
Total Assets	$ 7,076,080	$ 6,445,327

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts Payable	$ 182,574	$ 53,183
Accrued Expenses	371,992	231,904
Wages Payable	143,981	128,748
Deferred Revenue	219,812	603,641
Current Maturities of Lease Liability - Operating	53,800	-
Current Maturities of Lease Liability - Finance	5,803	5,326
Total Current Liabilities	977,962	1,022,802
NONCURRENT LIABILITIES		
Lease Liability - Operating, Net of Current Maturities	236,254	-
Lease Liability - Finance, Net of Current Maturities	22,799	28,604
Total Noncurrent Liabilities	259,053	28,604
Total Liabilities	1,237,015	1,051,406
NET ASSETS		
Without Donor Restrictions	4,852,886	3,993,921
With Donor Restrictions	986,179	1,400,000
Total Net Assets	5,839,065	5,393,921
Total Liabilities and Net Assets	$ 7,076,080	$ 6,445,327

3RD STREET YOUTH CENTER AND CLINIC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government Grants	$ 7,568,566	$ -	$ 7,568,566
Contributions	774,381	739,700	1,514,081
Other Income	3,575	-	3,575
Net Assets Released from Restrictions	1,153,521	(1,153,521)	-
Total Revenue and Support	9,500,043	(413,821)	9,086,222
EXPENSES			
Program Services Expenses:			
Housing Services Program	5,393,174	-	5,393,174
Education and Employment Services Program	222,508	-	222,508
Health Services Program	1,685,996	-	1,685,996
Total Program Services Expense	7,301,678	-	7,301,678
Supporting Services Expenses:			
Fundraising Expenses	175,576	-	175,576
Management and General Expenses	1,163,824	-	1,163,824
Total Supporting Services Expense	1,339,400	-	1,339,400
Total Expenses	8,641,078	-	8,641,078
CHANGE IN NET ASSETS	858,965	(413,821)	445,144
Net Assets - Beginning of Year	3,993,921	1,400,000	5,393,921
NET ASSETS - END OF YEAR	$ 4,852,886	$ 986,179	$ 5,839,065

3RD STREET YOUTH CENTER AND CLINIC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Government Grants	$ 5,737,315	$ -	$ 5,737,315
Contributions	785,746	1,300,000	2,085,746
Net Assets Released from Restrictions	750,000	(750,000)	-
Total Revenue and Support	7,273,061	550,000	7,823,061
EXPENSES			
Program Services Expenses:			
Housing Services Program	4,519,299	-	4,519,299
Education and Employment Services Program	73,414	-	73,414
Health Services Program	792,834	-	792,834
Total Program Services Expense	5,385,547	-	5,385,547
Supporting Services Expenses:			
Fundraising Expenses	86,802	-	86,802
Management and General Expenses	706,099	-	706,099
Total Supporting Services Expense	792,901	-	792,901
Total Expenses	6,178,448	-	6,178,448
CHANGE IN NET ASSETS	1,094,613	550,000	1,644,613
Net Assets - Beginning of Year	2,899,308	850,000	3,749,308
NET ASSETS - END OF YEAR	$ 3,993,921	$ 1,400,000	$ 5,393,921

3RD STREET YOUTH CENTER AND CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services				Supporting Services			
	Housing Services	Education and Employment Services	Health Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Payroll and Benefits	$ 2,685,102	$ 188,688	$ 1,169,594	$ 4,043,384	$ -	$ 458,292	$ 458,292	$ 4,501,676
Contractors and Consultants	120,850	-	175,525	296,375	175,576	321,275	496,851	793,226
Facilities	1,151,119	4,560	32,487	1,188,166	-	76,130	76,130	1,264,296
Stipends	24,044	26,469	59,628	110,141	-	-	-	110,141
Food Supplies	475,819	1,238	4,820	481,877	-	8,212	8,212	490,089
Fund Raising Expenses	789	-	-	789	-	-	-	789
Insurance	54,400	-	12,900	67,300	-	110,986	110,986	178,286
Telecommunications	21,862	-	2,559	24,421	-	23,232	23,232	47,653
Office Supplies	8,417	21	3,451	11,889	-	(63)	(63)	11,826
Repairs and Maintenance	37,725	119	4,658	42,502	-	3,938	3,938	46,440
Technology and Software	1,849	1	1,460	3,310	-	75,065	75,065	78,375
Training and Development	100,748	30	6,575	107,353	-	4,535	4,535	111,888
Travel and Transportation	24,267	-	5,533	29,800	-	8,202	8,202	38,002
Miscellaneous Expenses	664,844	1,382	203,338	869,564	-	74,020	74,020	943,584
Depreciation Expense	21,339	-	3,468	24,807	-	-	-	24,807
Total Expenses Included in the Expense Section of the Statement of Activities	$ 5,393,174	$ 222,508	$ 1,685,996	$ 7,301,678	$ 175,576	$ 1,163,824	$ 1,339,400	$ 8,641,078

3RD STREET YOUTH CENTER AND CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services				Supporting Services			
	Housing Services	Education and Employment Services	Health Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Payroll and Benefits	$ 2,205,514	$ 38,901	$ 521,343	$ 2,765,758	$ -	$ 191,575	$ 191,575	$ 2,957,333
Contractors and Consultants	41,493	-	31,116	72,609	86,802	314,230	401,032	473,641
Facilities	1,377,955	125	10,849	1,388,929	-	57,796	57,796	1,446,725
Stipends	71,781	23,410	80,578	175,769	-	-	-	175,769
Food Supplies	364,716	2,155	31,940	398,811	-	4,092	4,092	402,903
Insurance	39,425	-	-	39,425	-	58,209	58,209	97,634
Telecommunications	19,198	-	5,320	24,518	-	5,951	5,951	30,469
Office Supplies	6,398	8	897	7,303	-	2,165	2,165	9,468
Repairs and Maintenance	4,312	-	-	4,312	-	3,099	3,099	7,411
Technology and Software	5	326	1,365	1,696	-	18,536	18,536	20,232
Training and Development	39,735	3,755	7,703	51,193	-	-	-	51,193
Travel and Transportation	15,408	-	33	15,441	-	303	303	15,744
Miscellaneous Expenses	321,166	4,734	101,690	427,590	-	50,143	50,143	477,733
Depreciation Expense	12,193	-	-	12,193	-	-	-	12,193
Total Expenses Included in the Expense Section of the Statement of Activities	$ 4,519,299	$ 73,414	$ 792,834	$ 5,385,547	$ 86,802	$ 706,099	$ 792,901	$ 6,178,448

3RD STREET YOUTH CENTER AND CLINIC
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 445,144	$ 1,644,613
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	24,808	12,193
Noncash Lease Expense	(4,970)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,086,184)	417,018
Pledges Receivable	(424,350)	50,000
Other Receivables	-	123,984
Prepaid Expenses	7,215	735
Accounts Payable	129,391	12,888
Accrued Expenses	140,088	(172,902)
Wages Payable	15,233	46,723
Deferred Revenue	(383,829)	346,716
Net Cash Provided (Used) by Operating Activities	(1,137,454)	2,481,968
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Equipment	(865,937)	(10,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	-	(4,413)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,003,391)	2,467,555
Cash and Cash Equivalents - Beginning of Year	4,938,824	2,471,269
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,935,433	$ 4,938,824
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 2,490	$ 2,753
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Transfer of Fixed Assets to Right-of-Use Assets	$ 26,847	$ -
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES		
Acquisition of Equipment	$ -	$ 48,343
Less: Amount Financed	-	38,343
Cash Paid for Equipment	$ -	$ 10,000

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies and other information of 3rd Street Youth Center and Clinic (the Organization). These policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Organization

3rd Street Youth Center and Clinic is a multi-service youth health and wellness center for young people to improve their health, gain education, obtain employment and housing, and provide them with the political context and leadership skills needed to become self-advocates and stewards of social justice. The Organization was incorporated as a nonprofit organization in California on March 19, 2015. Effective July 1, 2020, 3rd Street Youth Center and Clinic separated from its fiscal sponsor and began operations as a separate entity.

The Organization offers a comprehensive suite of holistic services that include:

- A full-service primary health care clinic that offers free youth physicals, referrals for specialists, treatment for sexually-transmitted infections (STI), rapid HIV testing/counseling, and pregnancy testing/counseling.
- Individual, family, and group therapy, and clinical case management.
- Housing Services, including housing-focused case management, rapid re-housing, problem-solving support, and access into San Francisco's Coordinated Entry System.
- Lower Polk Transition-Age Youth Navigation Center - a homeless shelter for (18-27 years age group) young people experiencing homelessness.
- 3rd StrEATS - a food pantry/community-supported agriculture (CSA) program that gives young people free and fresh organic produce and food twice a week through partnerships with Imperfect Produce and the San Francisco Produce Market.
- HealthCore - a healthcare-focused workforce development program that prepares transition-age (17 years and older) youth for careers in allied health.
- 3rd Street Leadership Academy – a program where participants study health challenges and opportunities in the neighborhood, prioritize areas of concern, develop action plans, and connect with grassroots activists and public officials to effect change.
- Youth Outreach Squad – a program wherein youth (aged 12-16) learn about health and wellness, and create health-focused outreach campaigns to share with their peers.
- Summer Health Education Program - held over the summer months, a program wherein young people learn how to make informed choices about their health and the relationship among poverty, race, and chronic disease.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board (FASB). The FASB establishes standards for financial reporting by nonprofit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally imposed restrictions. A description of the two net asset categories is as follows:

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

Net Assets 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.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Expenses are reported as decreases in net assets. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as revenue of the net asset without restrictions class.

As of and for the year ended June 30, 2022, the Organization had $500,000 in net assets restricted by donors for the purchase of a building, and $900,000 in net assets restricted by donors for use in the Organization’s 2023 operations.

As of and for the year ended June 30, 2023, the Organization had $986,179 in net assets restricted by donors for use in the Organization’s 2024 operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments purchased with a maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of noninterest-bearing amounts due for program services provided and are carried at the original billing amount less an estimate for uncollectible receivables determined by management based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2023 and 2022, management has determined that no allowance for uncollectible receivables is necessary, respectively.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Management has determined, based on these estimates, that the fair value of unconditional promises to give expected to be collected in future years does not differ materially from the net realizable value. An estimate for uncollectible promises to give is determined by management based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2023 and 2022, management has determined that no allowance for uncollectible promises to give is necessary, respectively.

Property and Equipment

Additions to property and equipment over $2,500 are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The estimated useful lives used for calculating depreciation for property and equipment are as follows:

Buildings	25 Years
Building Improvements	10 Years
Furniture and Fixtures	5 Years
Vehicles	6 Years
Equipment	5 Years

Management reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of as asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022, respectively.

Leases

The Organization leases four buildings, one vehicle, and three copiers. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use assets, lease liabilities, current portion - operating and lease liabilities, noncurrent portion - operating on the consolidated statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position. The Organization will has elected to capitalize a ROU asset and liability for lease agreements that are over $2,500.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Deferred Revenue

In December 2021, the Organization entered into a contract with a grantor to provide housing services to individuals eligible under the Emergency Housing Voucher program. The Organization received funding totaling $163,750 during the fiscal year to provide services. Under the conditions of the contract, the Organization must return unspent funds to the grantor at the end of the grant period, or the funds may be carried forward to future years under the grant to carry out services. For the year ended June 30, 2022, the Organization recognized $-0- in revenue under the contract and received approval to carry forward funds totaling $163,750, which is included as deferred revenue on the statement of financial position.

In June 2021, the Organization entered into a contract with a grantor to provide housing services to Transition Age youth. The Organization received funding totaling $818,056 during the fiscal year to provide services. Under the conditions of the contract, the Organization must return unspent funds to the grantor at the end of each grant year, or the funds may be carried forward to future years under the grant to further the objectives of the project. For the year ended June 30, 2022, the Organization recognized revenue under the contract of $723,979, which is included as government grants revenue on the statement of activities and changes in net assets, and received approval to carry forward funds totaling $94,077, which is included as deferred revenue on the statement of financial position.

In July 2020, the Organization entered into a contract with a grantor to provide housing services to college-aged youth. The Organization received funding totaling $325,000 during the fiscal year to provide services. Under the conditions of the contract, the Organization must return unspent funds to the grantor at the end of each grant year, or the funds may be carried forward to future years under the grant to further the objectives of the project. For the years ended June 30, 2023 and 2022, the Organization recognized revenue under the contract of $151,002 and $236,111, respectively, which is included as government grants revenue on the statement of activities and changes in net assets. In the years ended June 30, 2023 and 2022, the Organization received approval to carry forward funds totaling $194,812 and $88,889, respectively, which is included as deferred revenue on the statement of financial position.

In December 2021, the Organization entered into a contract with a grantor to provide support for the Mental Health Academy. The Organization received funding totaling $25,000 during the fiscal year to provide services. Under the conditions of the contract, the Organization is allocated funds to spend during a given fiscal year. For the year ended June 30, 2023, the Organization recognized $-0- in revenue under the contract and received approval to spend funds totaling $25,000, which is included as deferred revenue on the statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue under cost-reimbursable grants is recognized in the same period that the associated costs are recognized. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related expenditures are incurred. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Opening contract balances were as follows:

	Accounts Receivable, Net
Balance as of July 1, 2020	$ 429,316
Balance as of July 1, 2021	$ 1,027,671
Balance as of July 1, 2022	$ 610,653

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Under applicable laws and regulations, the Organization has been determined to be exempt from federal and California income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the related California Revenue and Taxation Code. Accordingly, no provision for income taxes has been recorded in these financial statements.

Uncertain Tax Positions

Accounting guidance issued by the Financial Accounting Standards Board (FASB) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Organization did not have unrecognized tax benefits as of June 30, 2023 and 2022, and does not expect this to change significantly over the next twelve months.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash, revenue, and accounts receivable.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash deposits.

Grant Revenue and Receivables

Revenue from three grantors made up 77% of revenue and revenue from two grantors made up 76% of revenue for years ended June 30, 2022 and June 30, 2023, respectively. Accounts receivable from two grantors made up 84% of accounts receivable and accounts receivable from three grantors made up 94% of accounts receivable for years ended June 30, 2022 and June 30, 2023, respectively.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 01, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization’s ROU assets.

The Organization elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

In addition, the Organization elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient did not result in any change to the lease terms for existing leases or the useful lives of corresponding leasehold improvements.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 01, 2022 lease liabilities of $309,873, which represent the present value of the remaining operating lease payments of $321,043, discounted using the Organization's risk-free rate of 4.00%, and ROU assets of $309,873.

The standard had a material impact on the consolidated statements of financial position but did not have a material impact on the consolidated statements of activities or consolidated statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

In financial year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The standard did not have a material impact on the financial statements, with the exception of increased disclosure. The Organization has updated disclosures necessary (see Note 1 Summary of Significant Accounting Policies: In-Kind Contributions).

Reclassification

Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

We have evaluated subsequent events through October 12, 2023, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions.

	2023	2022
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 2,935,433	$ 4,938,824
Accounts Receivable	1,696,837	610,653
Current Portion of Promises to Give	1,209,350	600,000
Total Financial Assets	5,841,620	6,149,477
Less: Amounts Not Available to be Used Within One Year		
Restrictions by Donor with Time Restrictions	-	300,000
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 5,841,620	$ 5,849,477

NOTE 3 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30:

Year Ended June 30,	2023	2022
2024	$ 1,209,350	$ 600,000
2025	15,000	200,000
Total Promises to Give	$ 1,224,350	$ 800,000

100% of total promises to give were made up of six donors and two donors at June 30, 2023 and 2022, respectively.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2023	2022
Buildings	$ 525,000	$ -
Buildings Improvements	334,640	-
Furniture and Fixtures	25,514	25,514
Vehicles	9,622	48,343
Equipment	6,296	-
Subtotal	901,072	73,857
Less: Accumulated Depreciation	27,086	14,153
Total Property and Equipment, Net	$ 873,986	$ 59,704

Depreciation expense for the years ended June 30, 2023 and 2022 totaled $24,808 and $12,193, respectively.

NOTE 5 LEASES – ASC 840

The Organization leases various locations under operating lease agreements that expire between February 2030 and May 2030, and a vehicle under a capital lease that expires in October 2027.

Future minimum lease payments are as follows:

Year Ending June 30,	Operating Leases	Capital Leases
2023	$ 11,400	$ 7,817
2024	11,400	7,817
2025	11,400	7,817
2026	11,400	7,817
2027	10,000	7,817
Thereafter	8,750	2,603
Total Minimum Lease Payments	$ 64,350	41,688
Less: Amount Representing Interest		7,758
Capital Lease Obligation		33,930
Current Maturities of Capital Lease Obligation		5,326
Capital Lease Obligation, net of Current Maturities		$ 28,604

Rental expense for the year ended June 30, 2022 totaled $43,080.

NOTE 5 LEASES – ASC 840 (CONTINUED)

Leased property under capital leases at June 30, 2022 includes:

		Amount
Vehicles	$	48,343
Less: Accumulated Depreciation		7,090
Total	$	41,253

NOTE 6 LEASES – ASC 842

The Organization leases four buildings, one for the purposes of general and administration and three for program services. The buildings are all operating leases and with expirations varying from April 2027 to January 2030. The leases of buildings provide for renewal option of five years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. One building is a month-to-month operating lease related to a building with monthly payments totaling $31,680 annually. The Organization plans on maintaining the operating lease for the foreseeable future. The Organization leases a vehicle under a finance lease that expires in October 2027. The Organization leases copiers with expiration dates that vary between February 2024 through June 2028. It is expected that these leases will be renewed or replaced by similar leases upon expiration.

The following table provides quantitative information concerning the Organization's leases for the year ended June 30, 2023:

Lease Cost		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	$	6,195
Interest on Lease Liabilities		2,453
Operating Lease Cost		23,835
Total Lease Cost	$	32,483
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	$	2,453
Operating Cash Flows from Operating Leases	$	23,478
Financing Cash Flows from Finance Leases	$	5,364
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	$	309,909
Weighted-Average Remaining Lease Term - Finance Leases		4.3 years
Weighted-Average Remaining Lease Term - Operating Leases		5.0 years
Weighted-Average Discount Rate - Finance Leases		7.89%
Weighted-Average Discount Rate - Operating Leases		4.00%

NOTE 6 LEASES – ASC 842 (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

	Operating	Finance	Totals
2024	$ 64,343	$ 7,817	$ 72,160
2025	62,399	7,817	70,216
2026	62,921	7,817	70,738
2027	63,157	7,817	70,974
2028	54,924	2,408	57,332
Thereafter	13,300	-	13,300
Undiscounted Cash Flows	321,044	33,676	354,720
Less: Imputed Interest	30,990	5,074	36,064
Total Present Value	$ 290,054	$ 28,602	$ 318,656
Short-Term Lease Liabilities	$ 53,800	$ 5,803	$ 59,603
Long-Term Lease Liabilities	236,254	22,799	259,053
Total Lease Liabilities	$ 290,054	$ 28,602	$ 318,656

NOTE 7 RISKS AND UNCERTAINTIES

In the ordinary course of its operations, the Organization may be involved in various claims and litigations. In the opinion of management, there are currently no existing matters which are expected to have a material adverse effect on the financial position or operating results of the Organization.