

**CONSOLIDATED FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS**

**NEW HAVEN YOUTH AND FAMILY SERVICES, INC.
AND AFFILIATE
DECEMBER 31, 2019**

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GURRERA & ASSOCIATES

Certified Public Accountants
Business & Personal Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Haven Youth and Family Services, Inc.
Vista, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of New Haven Youth and Family Services, Inc., (a non-profit organization) and affiliate (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statement of activities, statement of functional expenses and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. The affiliate was not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization's internal control. Accordingly, we express no such opinion.

5665 Oberlin Drive, Suite 200, San Diego, CA 92121 (858) 457-5581 FAX (858) 457-5587

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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Haven Youth and Family Services, Inc., and affiliate as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2020, on our consideration of New Haven Youth and Family Services' 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.

INDEPENDENT AUDITOR'S REPORT

Page 3

Other Reporting Required by Government Auditing Standards -
(Continued)

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering New Haven Youth and Family Services' internal control over financial reporting and compliance.

Dum : ast
GURRERA & ASSOCIATES

San Diego, California
February 21, 2020

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(Comparative Totals for 2018)

ASSETS

| | December 31, 2019 | December 31, 2018 |
|---|----------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,380,648 | \$ 4,650,946 |
| Accounts receivable | 1,792,116 | 1,111,696 |
| Accounts receivable - Charter School | 9,818 | 9,372 |
| Prepaid expenses | 110,606 | 130,027 |
| Total Current Assets | 5,293,188 | 5,902,041 |
| OTHER ASSETS: | | |
| Due from Charter School | 1,636,002 | 726,486 |
| Security deposits | 20,993 | 20,993 |
| Total Other Assets | 1,656,995 | 747,479 |
| PROPERTY, BUILDINGS AND EQUIPMENT: | | |
| Land | 1,732,704 | 1,732,704 |
| Buildings and improvements | 7,638,115 | 7,348,617 |
| Furniture and equipment | 260,520 | 260,520 |
| Vehicles | 508,683 | 508,683 |
| Other | 229,686 | 229,686 |
| | 10,369,708 | 10,080,210 |
| Less: accumulated depreciation | (2,647,989) | (2,438,029) |
| Net property, buildings and equipment | 7,721,719 | 7,642,181 |
| TOTAL ASSETS | \$ 14,671,902 | \$ 14,291,701 |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 597,474 | \$ 551,050 |
| Other accruals | 20,046 | 22,645 |
| Payroll and related benefits | 482,909 | 480,503 |
| Note payable - current portion | 108,326 | 123,288 |
| Total Current Liabilities | 1,208,755 | 1,177,486 |
| LONG-TERM LIABILITIES: | | |
| Note payable - long-term portion | 4,721,070 | 4,820,965 |
| Total Long-Term Liabilities | 4,721,070 | 4,820,965 |
| NET ASSETS: | | |
| Without donor restrictions | 8,695,862 | 8,028,139 |
| With donor restrictions | 46,215 | 265,111 |
| Total Net Assets | 8,742,077 | 8,293,250 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 14,671,902 | \$ 14,291,701 |

See notes to consolidated financial statements.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2019
(Summarized Totals for 2018)

| | Without Donor Restrictions | With Donor Restrictions | 2019 Totals | 2018 Totals |
|--|-------------------------------|----------------------------|---------------------|---------------------|
| OPERATING REVENUE AND SUPPORT: | | | | |
| Contributions | \$ 281,895 | \$ 273,849 | \$ 555,744 | \$ 259,506 |
| Grants and contracts | -0- | -0- | -0- | 20,000 |
| Residential program | 2,319,360 | | 2,319,360 | 2,172,554 |
| Behavioral services | 1,943,318 | | 1,943,318 | 2,085,816 |
| Non-public schools | 1,000,472 | | 1,000,472 | 946,265 |
| Community based services | 1,841,187 | | 1,841,187 | 1,574,104 |
| Other | 34,253 | | 34,253 | 38,873 |
| Total revenue and support before releases | 7,420,485 | 273,849 | 7,694,334 | 7,097,118 |
| Net assets released from restrictions | 492,745 | (492,745) | -0- | -0- |
| TOTAL REVENUE AND SUPPORT | 7,913,230 | (218,896) | 7,694,334 | 7,097,118 |
| EXPENSES: | | | | |
| Residential | 2,238,047 | | 2,238,047 | 2,111,151 |
| Behavioral services | 1,619,666 | | 1,619,666 | 1,762,097 |
| Non-public schools | 1,162,703 | | 1,162,703 | 1,062,039 |
| Community based services | 994,581 | | 994,581 | 794,349 |
| General and administrative | 1,112,368 | | 1,112,368 | 981,271 |
| Fundraising | 99,485 | | 99,485 | 33,250 |
| TOTAL EXPENSES | 7,226,850 | | 7,226,850 | 6,744,157 |
| Change in net assets from operating activities | 686,380 | (218,896) | 467,484 | 352,961 |
| NON-OPERATING ACTIVITIES: | | | | |
| Interest income | 68,180 | -0- | 68,180 | 29,843 |
| Net rental income | 13,163 | -0- | 13,163 | 25,073 |
| Legal Settlement | (100,000) | -0- | (100,000) | -0- |
| | (18,657) | -0- | (18,657) | 54,916 |
| Change in net assets | 667,723 | (218,896) | 448,827 | 407,877 |
| Net Assets - Beginning of year | 8,028,139 | 265,111 | 8,293,250 | 7,885,373 |
| Net Assets - End of year | <u>\$ 8,695,862</u> | <u>\$ 46,215</u> | <u>\$ 8,742,077</u> | <u>\$ 8,293,250</u> |

See notes to consolidated financial statements.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019
(Summarized Totals for 2018)

| | Program Services | | | | Support Services | | | | |
|------------------------------------|------------------|---------------------|-------------------|--------------------------|----------------------|----------------------------|-------------|--------------|--------------|
| | Residential | Behavioral Services | Non-Public School | Community Based Services | 2019 Totals Programs | General and Administrative | Fundraising | 2019 Totals | 2018 Totals |
| Salaries and benefits | \$ 1,690,345 | \$ 1,269,077 | \$ 859,203 | \$ 804,792 | \$ 4,623,417 | \$ 882,428 | \$ 41,645 | \$ 5,547,490 | \$ 5,159,629 |
| Personal training | 11,514 | 1,300 | 6,274 | 646 | 19,734 | 3,827 | 376 | 23,937 | 15,680 |
| Other personnel expense | 8,611 | 5,118 | 2,190 | 510 | 16,429 | 590 | 1,943 | 18,962 | 21,324 |
| Total personnel | 1,710,470 | 1,275,495 | 867,667 | 805,948 | 4,659,580 | 886,845 | 43,964 | 5,590,389 | 5,196,633 |
| Outside professional | 16,030 | 960 | 65,742 | 653 | 83,385 | 103,923 | 10,000 | 197,308 | 151,497 |
| Food | 99,155 | 2,375 | 48,845 | 532 | 150,907 | 3,005 | 6,849 | 160,761 | 153,055 |
| Personal & incidental | 12,094 | 3 | 1,832 | -0- | 13,929 | -0- | -0- | 13,929 | 14,407 |
| Supplies | 83,047 | 32,288 | 59,885 | 2,075 | 177,295 | 13,186 | 1,630 | 192,111 | 185,285 |
| Supervised activities | 11,006 | 341 | 179 | 65 | 11,591 | -0- | 105 | 11,696 | 19,917 |
| Auto & transportation | 29,335 | 149,041 | 16,402 | 143,319 | 338,097 | 1,476 | 292 | 339,865 | 356,514 |
| Insurance | 71,470 | 21,384 | 14,228 | -0- | 107,082 | 14,516 | 469 | 122,067 | 120,188 |
| Telephone | 20,167 | 18,810 | 7,712 | 7,040 | 53,729 | 4,544 | 2,427 | 60,700 | 60,060 |
| Rent | 4,623 | 92,517 | 1,155 | 23,900 | 122,195 | 35,018 | 2,762 | 159,975 | 156,390 |
| Utilities | 44,300 | 12,472 | 19,236 | 5,160 | 81,168 | 11,434 | 1,516 | 94,118 | 100,747 |
| Equipment rental | 1,959 | 3,932 | 3,078 | 1,084 | 10,053 | 2,265 | 399 | 12,717 | 11,555 |
| Repair and maintenance | 38,799 | 9,304 | 29,927 | 2,325 | 80,355 | 4,671 | 559 | 85,585 | 80,686 |
| Miscellaneous | 49,333 | 73 | 14,989 | 2,480 | 66,875 | 10,219 | 28,513 | 105,607 | 56,246 |
| Total expenses before depreciation | 2,191,788 | 1,618,995 | 1,150,877 | 994,581 | 5,956,241 | 1,091,102 | 99,485 | 7,146,828 | 6,663,180 |
| Depreciation | 46,259 | 671 | 11,826 | -0- | 58,756 | 21,266 | -0- | 80,022 | 80,977 |
| Total expenses | \$ 2,238,047 | \$ 1,619,666 | \$ 1,162,703 | \$ 994,581 | \$ 6,014,997 | \$ 1,112,368 | \$ 99,485 | \$ 7,226,850 | \$ 6,744,157 |

See notes to consolidated financial statements.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(Comparative Totals for 2018)

| | <u>Year ended December 31,</u> | |
|--|--------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | \$ 448,827 | \$ 407,877 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 209,960 | 135,118 |
| (Increase) decrease in accounts receivable | (680,420) | 41,963 |
| (Increase) decrease in pledges receivable | -0- | 22,500 |
| (Increase) decrease in accounts receivable - Charter School | (446) | (9,372) |
| (Increase) decrease in prepaid expenses | 19,421 | (7,157) |
| Increase (decrease) in accounts payable and accrued expenses | 43,825 | (17,482) |
| Increase (decrease) in accrued payroll and benefits | <u>2,406</u> | <u>(882)</u> |
| Net cash provided (used) by operating activities | <u>43,573</u> | <u>572,565</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (289,498) | (1,628,553) |
| Net advances to Charter School | <u>(909,516)</u> | <u>(726,486)</u> |
| Net cash used by investing activities | <u>(1,199,014)</u> | <u>(2,355,039)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Reduction of debt | <u>(114,857)</u> | <u>(55,747)</u> |
| Net cash used by financing activities | <u>(114,857)</u> | <u>(55,747)</u> |
| NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | (1,270,298) | (1,838,221) |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR | <u>4,650,946</u> | <u>6,489,167</u> |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR | <u>\$ 3,380,648</u> | <u>\$ 4,650,946</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW: | | |
| Interest paid | <u>\$ 171,499</u> | <u>\$ 63,255</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING TRANSACTION: | | |
| New financing on building acquisition | <u>\$ -0-</u> | <u>\$ 5,000,000</u> |

See notes to consolidated financial statements.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

NOTE A - ORGANIZATION

Nature of Activities

New Haven Youth and Family Services, Inc., ("New Haven") is a non-profit organization licensed by the State of California. New Haven's purpose is to care for and educate emotionally disturbed children. Most of the children are referred by Southern California area schools that purchase services from New Haven using federal, state and local tax funds.

New Haven currently operates six residential group home facilities and a certified non-public School for the children for whom it receives payment from various School districts throughout Southern California.

New Haven also offers mental health services to residents of Riverside, San Diego, Orange County and Los Angeles counties, California.

NCTTHS Facilities LLC is a for profit limited liability company created under the laws of the State of California whose sole member is New Haven. The LLC was formed in 2018 to purchase a commercial building in Vista, California.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of New Haven Youth and Family Services and NCTTHS Facilities LLC. All intercompany accounts and transactions have been eliminated.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Basis of Presentation - (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to New Haven's ongoing activities.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measure of Operations - (Continued)

Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Expenses

Functional expenses are those expenses incurred by New Haven in the accomplishment of its stated mission. The cost of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of time and effort.

Prior Year Summarized Information

The consolidated 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with New Haven's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB") issued Accounting Standards Update ("ASU") 2014-9, "Revenue from Contracts with Customers". The Organization adopted the requirements of the new standard effective January 1, 2019. The results of applying ASC 606, using the modified retrospective approach, did not have a material impact on the financial statements.

Revenue Recognition - Contracts

Residential program and Non-public schools - The revenue relating to housing and school activities is based on a daily rate for each resident/student participating in the program. Revenue is recognized as performance obligations are satisfied, which is on a monthly basis, as billed.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue Recognition - Contracts - (Continued)

Behavioral services - Behavioral services are specialty mental health services that support youth with serious emotional challenges. The services are provided to youth throughout each month. The revenue relating to behavioral services is based in two parts: 1st based on minutes of services provided at an advanced rate, 2nd based on minutes of services provided at cost per unit less the afore mentioned advanced rate. Revenue is recognized as performance obligations are satisfied, which is on a monthly basis, as services are performed.

Community based services - Community based services are provided throughout each month. The School Districts pay a set monthly rate per participant and the performance obligations are met. Revenue is recognized as performance obligations are satisfied, which is on a monthly basis, as billed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, New Haven considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. This includes certificates of deposit with terms of one year or less.

Fair Value Measurements

New Haven defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. New Haven applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Fair Value Measurements - (Continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying values of cash, receivables, and payables approximate fair values as of December 31, 2019, due to the relative short maturities of these instruments.

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost, if purchased, or at fair market value at date of receipt if donated to New Haven. Depreciation is computed using the straight-line method over the assets' estimated useful lives of thirty one and one half to forty years for buildings and three to ten years for equipment. New Haven capitalizes all purchases over \$10,000 with a life expectancy of greater than one year.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Fundraising

Payroll and other costs that include both fundraising as well as administration and program costs are allocated on a basis that management believes reflect an accurate indication of the expense.

Income Tax Status

New Haven is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from California income taxes under Section 2370(d) of the Revenue and Taxation Code. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

New Haven files its information returns in the U.S. Federal Jurisdiction and the State of California.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Tax Status - (Continued)

New Haven's Form 990 is subject to examination by the Internal Revenue Service for three years after it was filed. As of December 31, 2019, New Haven had no uncertain tax positions that require either recognition or disclosure in the consolidated financial statements. Additionally, New Haven had no interest and penalties related to income taxes.

NCTTHS Facilities LLC is a for profit limited liability company and pays an annual fee to the California Franchise Tax Board.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Substantially all of New Haven's revenue is earned in Southern California. New Haven grants credit without collateral to local governmental entities and various agencies of the State of California. Uncollectible amounts have not been and are not expected by management to be material.

New Haven maintains cash balances in bank accounts which, at times, exceed the federal insurable limit. New Haven has not experienced any losses from cash concentrations and management does not believe it is exposed to any significant risk.

NOTE C - NORTH COUNTY TRADE TECH HIGH SCHOOL (a Non-Profit Charter High School)

New Haven established North County Trade Tech High School(Charter School) in April 2007. These two non-profit entities share three common board members. North County Trade Tech High School had a total of six board members as of the date of these financial statements.

New Haven has an agreement with North County Trade Tech High School providing the High School an unsecured line of credit up to \$750,000 with interest at 3.75%. As of December 31, 2019, there was \$480,000 outstanding on this line of credit. (See footnote H for additional disclosure).

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE D - LEASE COMMITMENTS

New Haven has long-term leases for office space in San Diego County and Riverside County. In addition, New Haven subleases space from North County Trade Tech High School. Total minimum annual rental commitments follow:

| <u>Year ending December 31,</u> | |
|---------------------------------|-----------|
| 2020 | \$ 86,454 |
| 2021 | \$ 43,550 |
| Thereafter | \$ -0- |

NOTE E - EMPLOYEES, PENSION (403) (b) AND CAFETERIA (125) PLAN

New Haven maintains an employee 403(b) of the IRC, annuity, life, group, health insurance and flexible spending accounts for all employees meeting minimum service requirements. This plan is entirely voluntary.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets at December 31, 2019, consist of the following:

| | |
|--------------------------------|------------------|
| Enhancement of school property | \$ 46,215 |
| | <u>\$ 46,215</u> |

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects New Haven's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | |
|---|---------------------|
| Cash | \$ 3,380,648 |
| Accounts receivable | 1,792,116 |
| Prepaid expenses | 110,606 |
| Accounts receivable - Charter School | <u>9,818</u> |
| Financial assets at year-end | 5,293,188 |
| Less those unavailable for general expenditures due within one year, due to: | |
| Donor-restricted to enhancement of School property | <u>(46,215)</u> |
| Financing assets available to meet cash needs for general expenditures within one year. | <u>\$ 5,246,973</u> |

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS -
(Continued)

As part of New Haven's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, New Haven invests cash in excess of daily requirements in short-term investments.

NOTE H - AFFILIATE

On April 20, 2018, New Haven established NCTTHS Facilities LLC to acquire a commercial building in Vista, California. Summary information on NCTTHS Facilities LLC for the year ended December 31, 2019 follows:

| <u>BALANCE SHEET</u> | |
|----------------------------------|----------------------|
| | December 31, 2019 |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 120,721 |
| Total current assets | 120,721 |
| OTHER ASSETS: | |
| Due from charter school | 1,156,002 |
| PROPERTY AND BUILDING: | |
| Land | 1,052,476 |
| Building | 5,197,524 |
| | 6,250,000 |
| Less: Accumulated depreciation | (184,079) |
| Net property and building | 6,065,921 |
| TOTAL ASSETS | <u>\$ 7,342,644</u> |
| CURRENT LIABILITIES: | |
| Note payable - current portion | 108,326 |
| Total Current Liabilities | 108,326 |
| LONG-TERM LIABILITIES: | |
| Note payable - long-term portion | 4,721,070 |
| New Haven intercompany | 2,422,851 |
| Total Long-Term Liabilities | 7,143,921 |
| Member's equity | 90,397 |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 7,342,644</u> |

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE H - AFFILIATE - (Continued)

STATEMENT OF INCOME

| | December 31, 2019 |
|-------------------|----------------------|
| REVENUE: | |
| Lease income | 316,295 |
| Total Revenue | 316,295 |
| EXPENSES: | |
| Interest expense | 171,499 |
| Depreciation | 129,938 |
| Other expenses | 1,695 |
| Total Expenses | 303,132 |
| Net rental income | 13,163 |
| Interest income | 47,527 |
| Net Income | \$ 60,690 |

Lease Revenue

There is a long-term lease agreement with North County Trade Tech High School (Related Party described on Note C) to lease the building for ten years starting on August 1, 2019.

The total minimum annual rent payments are as follows:

| Year ending December 31, | |
|--------------------------|--------------|
| 2020 | \$ 359,268 |
| 2021 | \$ 359,268 |
| 2022 | \$ 359,268 |
| 2023 | \$ 359,268 |
| 2024 | \$ 359,268 |
| Thereafter | \$ 1,257,438 |

Note Payable

There is a bank note payable for \$5,000,000 which is secured by real property. Monthly payments for the first twelve months are \$23,800 with interest at 2.99%. Beginning in the thirteenth month (September 2019), payments are \$29,939 with interest at 5.173%. All unpaid principal and interest is due August 1, 2028. The note balance was \$4,829,396 on December 31, 2019.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS - (Continued)
December 31, 2019

NOTE H - AFFILIATE - (Continued)

Future principal payments on the note payable at December 31, 2019, are due as follows:

| Year ending December 31, | | |
|--------------------------|----|-----------|
| 2020 | \$ | 108,326 |
| 2021 | \$ | 114,868 |
| 2022 | \$ | 121,040 |
| 2023 | \$ | 127,542 |
| 2024 | \$ | 133,152 |
| Thereafter | \$ | 4,224,468 |

NOTE I - LEGAL SETTLEMENT

During the year ended December 31, 2019 New Haven reached a settlement of a lawsuit related to an employee issue. The litigation was fully settled for \$100,000 and paid in full during 2019.

NOTE J - SUBSEQUENT EVENT

In early March, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread. Management is carefully monitoring the situation and evaluating its options on a daily basis. New Haven continues to operate some of its programs but is not admitting any new youth at the time of the issuance of our financial statements. Management has reduced operating expenses as appropriate and continues to monitor the situation. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE K - DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through February 21, 2020, which is the date the consolidated financial statements were available to be issued.

NEW HAVEN YOUTH AND FAMILY SERVICES, INC.
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

NEW HAVEN YOUTH AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

| <u>Federal Grantor/Program Title</u> <u>Pass-Through Grantor</u> | <u>Federal</u> <u>CFDA Number</u> | <u>Federal</u> <u>Expenditures</u> |
|---|--------------------------------------|---------------------------------------|
| <u>U.S. Department of Health and</u> <u>Human Services</u> | | |
| Foster Care | 93.658 | \$ 2,319,360 |
| Community Mental Health Services | 93.958 | 1,943,318 |
| <u>U.S. Department of Agriculture</u> | | |
| Food - School Breakfast | 10.553 | 16,984 |
| Food - School Lunch | 10.555 | <u>5,662</u> |
| TOTAL | | <u>\$ 4,285,324</u> |

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Haven Youth and Family Services, Inc., under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of New Haven Youth and Family Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of New Haven Youth and Family Services, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

New Haven has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report
To the Board of Directors
New Haven Youth and Family Services, Inc.
Vista, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of New Haven Youth and Family Services, Inc, (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Haven Youth and Family Services' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Haven Youth and Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the New Haven Youth and Family Services' internal control.

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

Internal Control Over Financial Reporting - (Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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


Gurrera & Associates

San Diego, California
February 21, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report
To the Board of Directors
New Haven Youth and Family Services, Inc.
Vista, California

Report on Compliance for Each Major Federal Program

We have audited New Haven Youth and Family Services, Inc.'s., (a non-profit organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of New Haven Youth and Family Services' major federal programs for the year ended December 31, 2019. New Haven Youth and Family Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Haven Youth and Family Services' compliance.

Opinion of Each Major Federal Program

In our opinion, New Haven Youth and Family Services, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

Report on Internal Control over Compliance - (Continued)

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

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


Gurrera & Associates

San Diego, California
February 21, 2020

NEW HAVEN YOUTH AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued on whether
financial statements audited were prepared in
accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Any noncompliance material to the financial statements
noted No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Section 200.516(a) No

IDENTIFICATION OF MAJOR PROGRAMS

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | <u>Expenditures</u> |
|---------------------|---|---------------------|
| 93.658 | Foster Care | \$ 2,319,360 |
| 93.958 | Community Mental Health Services | \$ 1,943,318 |

Dollar threshold used to distinguish between
type A and type B program \$ 750,000

Auditee qualified as low-risk auditee under
section 200.520? Yes

NEW HAVEN YOUTH AND FAMILY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019 - (Continued)

Section II - CURRENT YEAR FINDINGS

A. Current Year Findings - Financial Statement Audit

No financial statement findings in the current year

B. Current Year Findings and Questioned Costs - Major Federal Award Program Audits

No Current Year Findings or Questioned Costs

Section III - PRIOR YEAR FINDINGS

A. Prior Year Findings - Financial Statement Audit

No financial statement findings in the prior year.

B. Prior Year Findings and Questioned Costs - Major Federal Award Program Audit

No prior year findings or questioned costs.